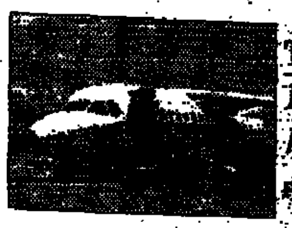

**Traffic in the air**
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**What next for Italy?**
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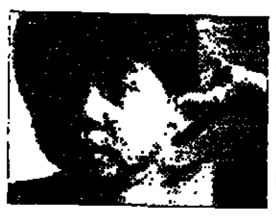

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Section IV


# FINANCIAL TIMES

Europe's Business Newspaper — THURSDAY NOVEMBER 25 1993 — D8523A

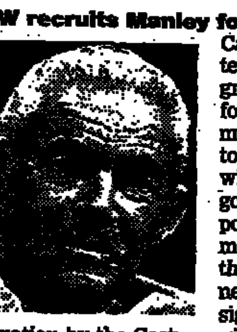

## China to spend $140bn to boost transport system

China plans to spend 700bn yuan ($140bn) by the year 2000 to overcome chronic transport bottlenecks that are holding back economic activity. Foreigners will be encouraged to invest as partners in joint ventures or as sole operators in projects to build railways, highways, waterways, pipelines and civil aviation facilities. Page 16

**Reformers ahead in Russia:** The liberal reformist Choice of Russia political bloc, headed by first deputy prime minister Yegor Gaidar, is leading in the run-up to next month's elections, according to an authoritative poll. Page 16

**Tietmeyer warns on rate cuts:** European governments should not try to buy their way out of recession with interest rate reductions and devaluations, Bundesbank president Hans Tietmeyer warned. Page 2

**C&W recruits Manley for Cuba talks:** Cable & Wireless, UK telecommunications group, has recruited former Jamaican prime minister Michael Manley to lead negotiations with the Cuban government about possible C&W involvement in modernising the country's telephone network. The talks signal a further relaxation by the Castro regime in its attitude to foreign investment. Page 16



**Thailand plans reforms:** The Thai government is planning economic reforms to liberalise the financial sector and reduce import tariffs in an effort to improve the competitiveness of commerce and industry. Page 4

**Ulster weapons haul:** A consignment of weapons and explosives bound for Northern Ireland and including more than 300 assault rifles was seized by UK Customs officers. The shipment, from Poland, was destined for the loyalist Ulster Volunteer Force. Page 8

**Policy defeat for Brussels:** The European Commission bowed to opposition from EU finance ministers and published a watered-down version of its guidelines to boost economic growth and halt rising unemployment. Page 2

**VW board meets:** Renewed efforts to lift Volkswagen out of the red will head a meeting of the automotive group's supervisory board tomorrow. The company is estimated to be facing a loss of about DM2bn ($1.1bn) this year. Page 16

**Deutsche Bank's** big Italian subsidiary, Banca d'America e d'Italia, is paying L470bn ($277m) to buy a controlling stake in Banca Popolare di Lecco, a profitable northern regional bank. It is the biggest single investment by Deutsche in Italy since its 1986 takeover of BAI. Page 17

**Anger over airline subsidies:** British Midland Airways, the UK's second largest airline, is considering legal action against the European Commission for failing to enforce rules against government subsidies for European state-run airlines. Page 3

**Paramount battle rejoined:** A Delaware court has decided in favour of QVC Network in its challenge to a $600m poison pill arrangement designed to protect an agreed merger between Paramount Communications and Viacom. QVC had said its higher offer for Paramount depended on the court removing the poison pill.

**Metallgesellschaft,** the German metals, mining and industrial conglomerate, is unlikely to pay a dividend for 1992-93 after a swing from profits of DM245m last year to a pre-tax loss of DM347m ($205m) in the year ended September. Page 17

**Tate & Lyle** increased annual pre-tax profits by 17.4 per cent to £222.5m ($331.5m), above market expectations, which had been revised downwards when the sweeteners company warned of difficult trading conditions in North America. Page 23

**Boys guilty of toddler murder:** Two 11-year-old boys were found guilty of murdering two-year-old James Bulger in Liverpool, England. Bulger was lured away from his mother in a suburban shopping mall and battered to death with bricks and an iron bar in February. The boys were sentenced to be detained indefinitely.

**Whisky galore:** Fourteen bottles of whisky, part of the cargo of the SS Politician, which went aground in the Outer Hebrides off Scotland in 1941, sold for £11,462 ($17,080) at Christie's in Glasgow. Page 8

**■ STOCK MARKET INDICES**

| | | |
|---|---|---|
| FT-SE 100: | 3057.2 | (-2.1) |
| Yield | 3.87 | |
| FT-SE Eurotrack 100 | 1329.41 | (+3.94) |
| FT-A All-Share | 1515.21 | (-0.1%) |
| Nikkei | 17,087.11 | (-317.73) |
| New York lunchtime | | |
| Dow Jones Ind Ave | 3686.18 | (+12.01) |
| S&P Composite | 462.50 | (+1.47) |

**■ US LUNCHTIME RATES**

| | |
|---|---|
| Federal Funds: | 3% |
| 3-mo Treas Bills: Yld | 3.168% |
| Long Bond | $99\frac{1}{16}$ |
| Yield | 6.315% |

**■ LONDON MONEY**

| | | |
|---|---|---|
| 3-mo Interbank | $5\frac{7}{16}$% | (same) |
| Liffe long gilt future: | Dec $115\frac{1}{32}$ | (Dec $115\frac{1}{32}$) |

**■ NORTH SEA OIL (Argus)**

| | | |
|---|---|---|
| Brent 15-day (Jan) | $15.33 | (15.59) |

**■ Gold**

| | | |
|---|---|---|
| New York Comex (Dec) | $377.2 | (377.3) |
| London | $376.0 | (376.25) |

**■ STERLING**

| | | |
|---|---|---|
| New York lunchtime: | | |
| $ | 1.48735 | |
| London: | | |
| $ | 1.488 | (1.4855) |
| DM | 2.5325 | (2.5275) |
| FFr | 8.78 | (8.775) |
| SFr | 2.22 | (2.3125) |
| Y | 161.0 | (161.25) |
| £ Index | 81.6 | (81.4) |

**■ DOLLAR**

| | | |
|---|---|---|
| New York lunchtime: | | |
| DM | 1.70355 | |
| FFr | 5.9025 | |
| SFr | 1.4934 | |
| Y | 108.155 | |
| London: | | |
| DM | 1.7025 | (1.701) |
| FFr | 5.9 | (5.9075) |
| SFr | 1.4925 | (1.49) |
| Y | 108.15 | (108.5) |
| $ Index | 66.8 | (67.0) |
| Tokyo close Y 108.05 | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Austria | Sch30 | Greece | Dr300 | Lux | LFr65 | Qatar | QR12.00 |
| Bahrain | Din1.250 | Hong Kong | HK$18 | Malta | Lm0.60 | S.Arabia | SR11 |
| Belgium | BFr65 | Hungary | Ft185 | Morocco | MDh13 | Singapore | S$4.10 |
| Bulgaria | Lv25.00 | Iceland | IKr215 | Neth | Fl 3.75 | Slovak Rp | KSL45 |
| Cyprus | C£1.00 | India | Rs40 | Nigeria | Naira45 | South Africa | R12.00 |
| Czech Rp | CZK45 | Israel | Shk5.50 | Norway | NKr16.00 | Spain | Pta210 |
| Denmark | DKr15 | Italy | L2700 | Oman | OR1.50 | Sweden | SKr15 |
| Egypt | E£4.50 | Japan | Y500 | Pakistan | Rs35 | Switz | SFr3.20 |
| Finland | FM12 | Jordan | JD1.50 | Philippines | Peso45 | Syria | S£50.00 |
| France | FFr9.00 | Kuwait | Fils.600 | Poland | Zl 32,000 | Tunisia | Din1.250 |
| Germany | DM3.30 | Lebanon | US$1.25 | Portugal | Es215 | Turkey | L8000 |
| | | | | | | UAE | Dh11.00 |

# Euro Disney loses a sixth of stock market value

By Alice Rawsthorn in Paris

Euro Disney, the troubled leisure group desperately trying to negotiate a financial rescue, lost a sixth of its stock market value yesterday.

In heavy trading, its shares closed FFr6.20 lower at FFr27.20 in Paris and fell 62p to 318p in London. The decline may complicate efforts by the company to restructure financially.

In Paris, the shares slid after heavy selling from convertible preference holders. More than 4.14m Euro Disney shares, or 2.4 per cent of its equity, had changed hands by the end of the day. The Paris stock market authorities were forced three times to suspend the shares when the price breached the official trading limit.

Ms Rebecca Winnington-Ingram, European leisure analyst at Morgan Stanley in London, said: "It's pure panic. Investors are now very, very nervous about this company."

Yesterday's decline followed steady selling since Euro Disney, which is burdened by heavy debt and has suffered in the European recession, disclosed an unexpectedly heavy net loss of FFr5.3bn ($900m) for the year to September 30.

The latest fall in the share price, which peaked at FFr160 in April 1992 and was worth FFr43.70 before the announcement of last year's loss, comes at a sensitive time.

Euro Disney, with Walt Disney, the US entertainment group that owns 49 per cent of its equity, began negotiations last week over the restructuring with the 60 international banks that own its FFr20.3bn net debt. Further share falls may cast a cloud over the negotiations by limiting the scope to raise capital through a rights issue. The Disney camp is believed to hope to reduce Euro Disney's net debt to FFr10bn.


Poisoned apple, Page 17
World stock markets, Page 36


# Cost-cutting hits 14,000 Philip Morris jobs

By Richard Tomkins in New York

Philip Morris, the US cigarette, food and beer group, plans a drastic restructuring to defend its brands from low-cost competitors.

It is to close or scale down 40 plants worldwide over the next few years, resulting in the loss of 14,000 jobs, about 8 per cent of its 168,000 workforce.

The immediate effect will be to produce a $457m charge against net earnings in the fourth quarter of 1993. Another $495m will be wiped out by an accounting change relating to the treatment of severance payments.

The combined effect will be to leave full-year 1993 net earnings 16 per cent lower than last year's $4.9bn, the company said.

But Philip Morris said the longer-term effect of its action would be to reduce operating costs by $1bn a year, producing extra funds for investment and increasing after-tax profits by about $600m a year by 1997.

Investors appeared to welcome the cost-cutting plan. The company had said this year's earnings would be hit by a restructuring charge, and the shares rose $5/8 to $55 1/2 in anticipation of future profits growth.

The move is further evidence of the pressure facing manufacturers of branded goods as consumers in depressed international markets buy cheaper products.

The group's brands include Marlboro – the world's biggest-selling cigarette – Kraft cheese, Maxwell House coffee, and Miller Lite beer.

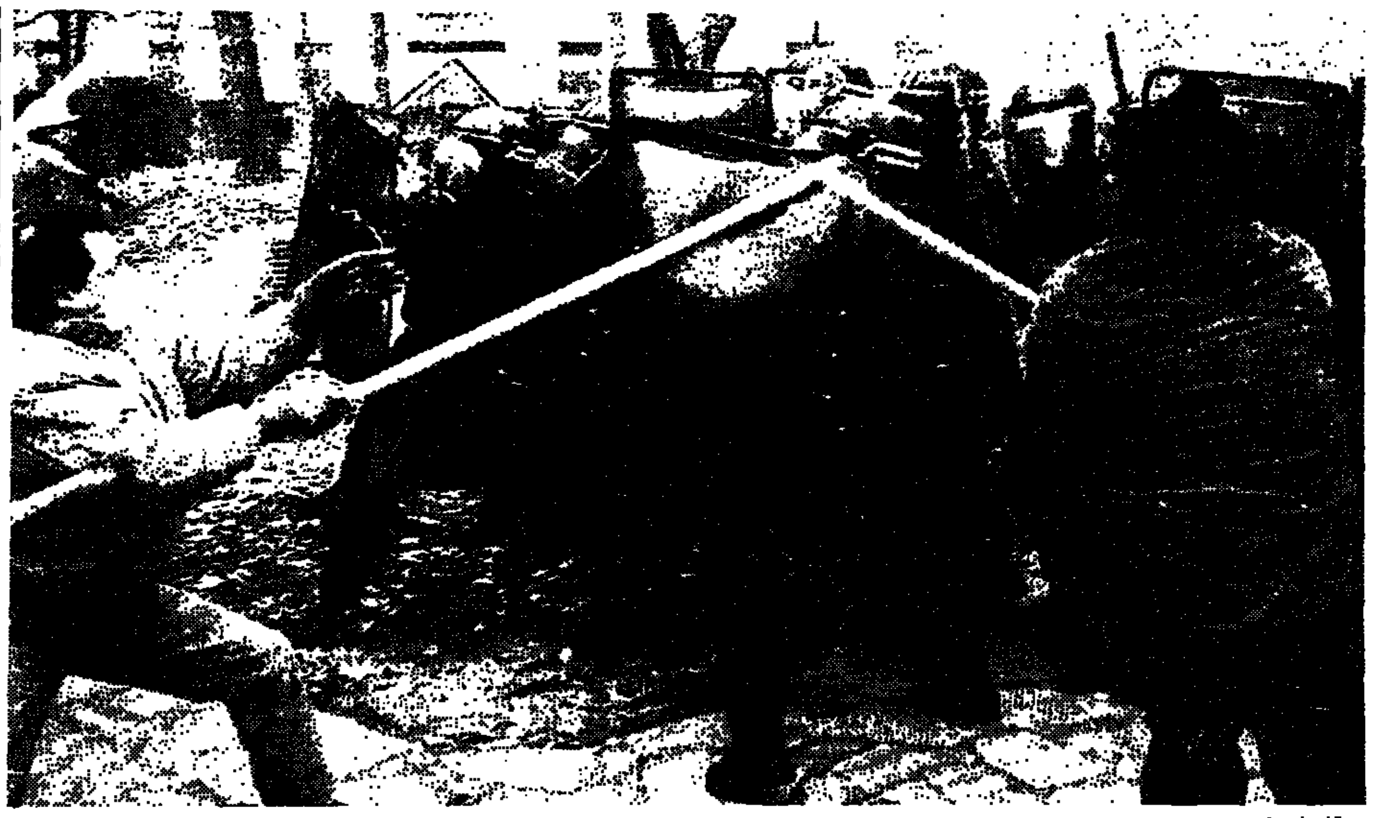
Earlier this year Philip Morris showed its determination to defend its US cigarette market against low-cost competitors by reducing the price of Marlboro and its premium brands by 20 per cent, so triggering a price war.

Yesterday, however, the company emphasised that the cost-cutting plans were aimed not just at cigarette manufacturing, but at all its products. Mr Michael Miles, chairman, said they reflected the company's determination to be the lowest-cost producer in all its core operations.

Philip Morris refused to say which plants would be closed or to offer any geographical breakdown of the job cuts. It said most of the job losses would result from the consolidation of manufacturing resulting from more efficient manufacturing methods.

Some of the moves will take place before the end of this year, with the company seeking to minimise the need for compulsory redundancies. Philip Morris said all product areas would be affected, and all should show profits growth in the next financial year.

It said that its non-cigarette operations should report a 13 per cent increase in income for 1993 compared with last year's levels.



Associated Press

French miners among a crowd of 2,000 protesting at the breakdown of talks with the government clash with police in Metz, eastern France.

# US may agree Blair House revisions

By Lionel Barber in Brussels and George Graham in Washington

Sir Leon Brittan, the European Union's chief trade negotiator, raised hopes yesterday that the US would agree to revisions in the Blair House farm accord to unblock progress toward an agreement in the Gatt world trade talks.

After two days of meetings in Washington with Mr Mickey Kantor, US trade representative, Sir Leon said the US and Europe were discussing differences over agriculture "in a positive manner". He declined to go into detail.

Top trade negotiators from the US and EU will resume their Gatt talks in Brussels next Wednesday after their meeting in Washington this week "defined the issues" and "discussed viable alternatives".

Although little concrete progress was evident after Tuesday's meeting, Sir Leon said the simple fact that his US counterpart was travelling to Europe next week indicated that the talks were still alive. "He's a busy man and wouldn't come if there wasn't something worthwhile to discuss," Sir Leon said in Paris.

France has threatened to veto a Gatt deal unless it obtains satisfaction through changes in the 1992 Blair House agreement.

An EU official portrayed the high-level talks in Washington positively, but emphasised that "considerable obstacles remain" ahead of the mutually agreed December 15 deadline for a deal among the 111 governments that are party to the talks.

For his part, Sir Leon had made clear that the EU would insist on specific demands being met in the area of agriculture, the audiovisual industry and aeronautics – a reference to US objections to European subsidies for Airbus Industrie. He repeated the message in a brief meeting with President Bill Clinton.

The Brussels official said both sides had instructed their senior negotiators in Geneva to seek a preliminary agreement on all dossiers in time for Mr Kantor's next visit to Brussels, probably on December 1. That would to allow a draft EU-US agreement to be submitted to a special meeting of European foreign ministers on December 2.

"Sir Leon made clear that [Gatt] should not be a last-minute deal," the official said.

The Washington talks covered all main sectors, including a broad market access package, the creation of a Multilateral Trade Organisation to replace Gatt, and agriculture. But EU officials said the exercise was to identify "bottom lines" rather than negotiating specific points.


French PM frustrated, Page 6
Editorial Comment, Page 15


# Volvo shareholder deals blow to plan for Renault merger

By Hugh Carnegy in Stockholm and John Ridding and Kevin Done in Paris

## Intensive effort fails to dispel widespread Swedish doubts

Volvo's struggle to win approval for the planned merger of its car and truck operations with France's Renault suffered a serious blow yesterday when the first institutional shareholder to declare a final position said it would vote against the deal.

Although the so-called Fifth Fund state pension fund holds only 1.3 per cent of Volvo's voting capital, its rejection indicated that an intensive effort mounted by Volvo to overcome objections by significant Swedish shareholders had failed to dispel widespread doubts about the merger proposal.

The outcome of a shareholder vote on December 7, already rescheduled from early this month, may now swing on a decision expected today from another state pension group, the Fourth Fund. It is Volvo's second largest shareholder after Renault, holding 7.5 per cent of the voting capital to the French group's 10 per cent.

The board of the Fourth Fund includes senior representatives from industry and the trade unions, including both supporters of Volvo and merger sceptics. If the Fourth Fund rejects the deal, the prospect of Volvo winning majority shareholder support will be sharply diminished.

Mr Bert Ekström, chief executive of the Fifth Fund, said the fund rejected the merger because of uncertainties over the values implied in the agreement, which proposes a 35 per cent share for Volvo in the merged company.

He said the fund, governed by trade union, local government and state industry representatives, was also sceptical about French commitments to privatise Renault, despite written assurances from Mr Edouard Balladur, the French prime minister, that his government intended to complete privatisation by the end of next year.

Volvo this week secured Mr Balladur's assurances, contained in a letter to Mr Carl Bildt, the Swedish prime minister, and a promise that a golden share the state intends to keep in the merged company will not be used to dilute Volvo's 35 per cent holding.

These two issues have been the focus of criticism by Volvo shareholder institutions. However shareholders have also expressed dissatisfaction with the lack of detail published on the valuation of the respective Volvo and Renault assets in the merged company.

In an interview with the FT on Tuesday, Mr Louis Schweitzer, the Renault chairman, warned that a rejection of the planned merger would damage existing co-operation between Volvo and Renault.

"The momentum would disappear" said Mr Schweitzer. He added that the disruption to the merger process in recent weeks had already slowed and destabilised efforts to build a joint management organisation.

Mr Schweitzer went on to stress the industrial logic of the proposed merger. The cost savings which would result through joint purchasing, research and development and economies of scale would strengthen the two companies' car and truck operations.

He also pointed out that European car markets showed signs of bottoming out, he forecast a modest recovery in demand from mid-1994. He said he was confident that Renault would remain profitable despite the protracted downturn in car and truck markets.


Renault chief firm, Page 18




## CONTENTS

## EU finance ministers force changes in paper on growth and jobs

# Economic policy defeat for Brussels

By Lionel Barber in Brussels

The European Commission yesterday bowed to opposition from EU finance ministers and published a watered-down version of its guidelines to boost economic growth and halt rising unemployment.

The Commission's document avoids earlier calls for a reduction of 2-3 per cent in short-term interest rates, steers away from recommendations to broaden the tax system to pay for reductions in employment taxes, and retreats from the specific goal of creating 15m new jobs by the end of the century.

Although senior Commission officials played down the extent of the political defeat, other officials warned that a similar fate might overtake Mr Jacques Delors' White Paper on competitiveness and growth. The Commission president's long-waited paper is supposed to be the centrepiece of the European summit early next month.

European finance ministers picked holes in a summary of the Commission president's White Paper at a meeting in Brussels last Monday, particularly his tentative proposals for work-sharing as a means of alleviating unemployment. Mr Delors is said to be determined to bypass finance ministers and deliver his paper direct to heads of government at the December 10-11 summit.

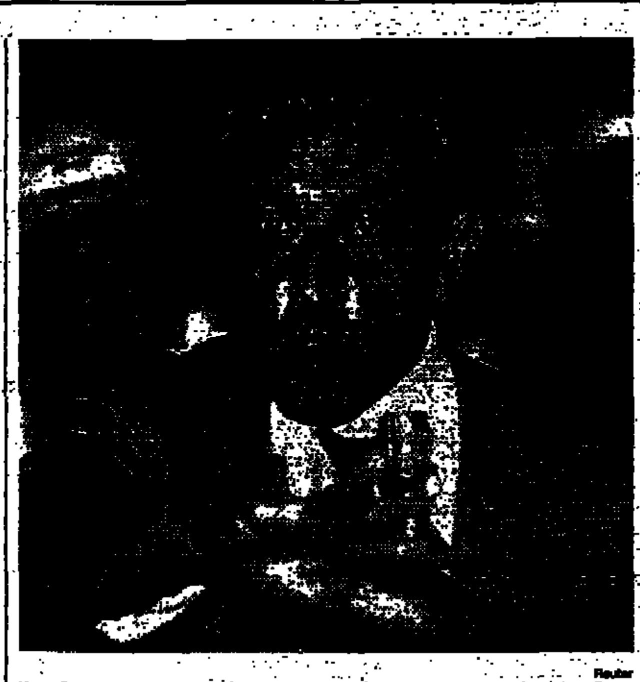
The Commission's "Broad Guidelines for the Economic Policies" of the 12 member states was published according to provisions in the Maastricht treaty. Commission officials said the document had taken on added significance as a framework for policy-making after the collapse of the exchange rate mechanism.

The guidelines agreed by the Commission yesterday include a general call for cuts in interest rates, wage restraint, lower budget deficits and government debt, as well as higher investment and alterations in the tax system.

The paper must still be approved by EU finance ministers.

The only specific targets include an average inflation rate of no more than 2-3 per cent in the EU by 1996, against 3.8 per cent this year, and wage rises to be kept below one percentage point of productivity growth. The paper also urges member states in 1994 to prevent any further deterioration in their budget deficits.

Mr Henning Christophersen, European commissioner for economics, said there was never any intention to set specific macro-economic targets. "This is not a planned economy," he said.



Reuter

Ready for the run-offs on December 5: mayoral contenders Antonio Bassolino (above) of the Party of the Democratic Left in Naples and Francesco Rutelli (below) of the Greens in Rome.

Anti-Mafia candidate Leoluca Orlando (below left) celebrates in Palermo, while media baron Silvio Berlusconi makes public his support for Gianfranco Fini, the neo-fascist contender in Rome

# Lada car becomes victim of success

By Leyla Boulton in Moscow

As western carmakers fight for markets, Russia's Avtovaz which makes the Lada, is in the unusual position of being unable to meet demand.

Now Avtovaz is looking to western capital markets and carmakers to help finance its expansion and modernisation.

It considers itself lucky compared with other Russian manufacturers, many of them fighting for day-to-day survival and facing a continuing fall in output.

Earlier this week, the Moscow mayor's office announced that Zil, the maker of presidential limousines and ordinary trucks, was switching to a four-day week and could suspend production altogether.

But at Avtovaz, Mr Nikolai Lyachenkov, the production manager, says: "We have managed to keep output at the same level as last year." His company makes around 650,000 cars a year. It is only problems with suppliers in the former Soviet Union which prevent it reaching full capacity of 1m cars, he says.

A rare source of support for Avtovaz has been the hard-currency revenues from the export of 40 per cent of its output. Under the government's sweeping privatisation programme, the enterprise has been turned into a joint stock company and its 100,000 employees have already opted to acquire 51 per cent of the capital.

Next month, the government will auction off another 25 per cent in the form of vouchers distributed to every citizen of Russia, and a further 22.5 per cent will be offered to corporate investors at a special investment tender. But despite relishing the new independence afforded by the government's privatisation efforts, Mr Nikolai Glushkov, Avtovaz's deputy director for finance, does not place much hope in attracting any significant investment at either sale.

Instead, once Price Waterhouse produces its first set of western-style accounts around April next year, the company plans to attract foreign investors by increasing its capital.

Avtovaz also hopes next year to produce a new family of passenger cars in the same class as the Vauxhall/Opel Astra. It is taking part in a separate industrial consortium which wants to produce a lower-quality car in the Opel Corsa range a few years later.

In the longer-term, says Mr Peter Rogers, a partner at Price Waterhouse which has been hired as auditors and advisers to Avtovaz, the company must aim for a western stock exchange listing.

Avtovaz has been talking with potential foreign investors for three years now. In 1991, before the collapse of the Soviet Union, the Soviet car industry ministry hired Bear Stearns, the US investment bank, to value the company, and Deloitte Touche was involved in a first attempt to translate Avtovaz's accounts into terms understandable to western businesses. But that arrangement collapsed. The enthusiasm of Fiat, which was negotiating the possibility of taking a 30 per cent stake in Avtovaz also waned.

As Russian industry clamours for protection, Avtovaz executives say they are not bothered by the flood of Mercedes, BMWs, and Cadillacs which makes Moscow a promising market for western luxury cars. "They will never be our competitors," said Mr Boris Kruyenkov, the company's deputy finance director.

But as Avtovaz's domestic costs approach world levels, he says the government should be ready to protect it in future from the sort of imported cars which could compete with it.

# Brussels draws the line over visas

By Andrew Hill in Brussels

The European Commission yesterday approved a proposed list of 129 countries whose citizens will require visas to enter the European Union.

But plans to draw up a "positive" list of non-EU nationals who would not require a visa had to be dropped following opposition within the Commission.

So far Brussels is reluctant to go further than national governments in experimenting with its new powers under the Maastricht treaty to initiate legislation on immigration, justice or internal affairs.

But although cautious, Mr Raniero Vanni d'Archirafi, the internal market commissioner, and Mr Padraig Flynn, commissioner responsible for immigration, said yesterday that by strengthening external frontiers, the measures proposed yesterday would help persuade EU member states to lift controls on people at internal frontiers.

The Commission also pushed through proposed revisions to the European convention on external frontiers, to take account of the Maastricht changes. Justice ministers will discuss the measures at their meeting next week in Brussels.

The proposals, including the list of nationalities requiring visas, follow closely work done by the nine members of the intergovernmental Schengen free travel agreement – all the EU members except Britain, Denmark and Ireland.

If approved unanimously, the proposals will also mean that EU countries will have to recognise each others' visas.

The Schengen countries have already agreed to abolish all controls at internal frontiers from February 1, 1994. But Britain, Ireland and Denmark are likely to maintain certain systematic passport checks at their borders beyond that date.

# EU eases terms for entrants

## Prospects look brighter of meeting enlargement deadline

By David Gardner in Brussels

The prospect of the European Union meeting its January 1995 deadline to bring in four new members brightened yesterday after the European Commission proposed significant concessions on regional policy and agriculture.

The enlargement negotiations, begun last February, must be completed by March in time for Austria, Sweden, Finland and Norway to put their proposed entry to referendum. All four countries' subsidy regimes for their remote or mountainous regions, and for Arctic and Alpine farming, are sensitive issues.

On regional policy, the Commission agreed yesterday on a plan to offer each of the four applicants the highest level of structural aid – so-called Objective 1 status – for their remote and poorer regions. The strict definition of eligibility for Objective 1 aid, invented for backward regions like Andalusia in Spain or the poorest member states, Greece, Portugal and Ireland, is an average per capita income below 75 per cent of the EU average.

Brussels wants to offer it to Burgenland, on Austria's Hungarian border; Finland's three eastern provinces, Lapland in northern Finland, and Kuusamo which is in between these two Finnish areas; the four northern counties of Norway; and Norrbotten, Sweden's northernmost province.

All four applicants are richer than the 12 EU member states on average income, and all these regions are above – some well above – the Objective 1 income threshold. But when the 12 shared out the Ecu96bn ($109.4bn) Objective 1 pot in July, the intense horse-trading led to a relaxation of the rules. "There were a lot of strands of new elastic to hold [regional policy] together for the 12," a senior official said, and this flexibility is now being extended to the four.

Similarly, rules for state aids in remote regions will probably be more flexible to take account of the huge distances in the Nordic applicant countries, and their concern to keep their inaccessible northern and border areas populated.

On agriculture, the Commission yesterday moved towards a way of levelling out the big farm price support differences between the 12 and the Four. In previous enlargements, these differences were ironed out by border levies. Brussels yesterday decided, however, that there could be no retaining of borders because of the barrier-free Single Market.

Instead, prices will be aligned from the moment of entry, and direct compensation will be paid to Nordic and Alpine farmers. The intention is that the applicants should pay for this compensation as their consumers and taxpayers do now. But officials acknowledge that in the end, the EU budget will have to bear part of this cost, especially as all four candidates will be net contributors.

# Brussels attacks UK's stance on waste water law

By David Gardner

The European Commission yesterday hit back at UK demands to postpone implementation of a Euro-law on cleaning up sewage water pollution, claiming that Britain had not done its homework on costs, and was trying to shift blame onto Brussels for expenditure it would have to make anyway.

Mr Kenneth Clarke, UK chancellor of the exchequer, told EU finance ministers on Monday that Britain was seeking a longer phasing in of the waste water treatment directive as part of a campaign to review, and in some cases repeal, EU laws which impose costs hindering competitiveness. Mr Clarke maintained that the cost of implementing the waste water directive would be £10.5bn ($15.6bn), or five-times more than originally thought, although he admitted that the UK Department of the Environment was responsible for the miscalculation.

But yesterday, Mr Ioannis Paleokrassas, the EU environment commissioner, queried Britain's figures and motives in launching its attack on the waste water directive.

The British government has a habit of shifting blame onto Europe, he said yesterday, but this is "a debate between them and the British people".

"Before complaining, the British government should do its homework more carefully," he added. Mr Clarke, was "either misinformed," Mr Paleokrassas said, "or he has some other motives which have nothing to do with the waste water directive." Other EC officials and diplomats present at Monday's meeting believe Mr John Major's Conservative government is concerned about passing on rising water costs in south-west England, which has slim electoral majority.

The UK claims the directive will add £525 to average household water bills in 1995-2000, and a further £12 in between 2000 and 2005, by which time its provisions should be fully implemented. The current average for water bills is £193, Whitehall says. Mr Clarke said on Monday that EU finance ministers should have closer oversight of all Euro-laws which placed new cost burdens on industry.

Mr Paleokrassas, a former Greek finance minister, argued yesterday that:

- The waste water directive, along with all other directives to clean up European drinking and bathing water, had been passed unanimously by the 12, with UK assent.
- The UK to date has presented four different sets of figures: the original £2bn estimate; a 1989 figure of £7bn-8bn; Mr Clarke's £10.5bn; and an additional £27bn to maintain and improve the sewage system, which the UK acknowledges has nothing to do with the directive.

The commissioner said UK water costs were anyway well below EU averages, and that the jump in costs was due to the privatised water boards passing on the investment costs immediately rather than taking advantage of the directive's greater flexibility.

## NEWS IN BRIEF

### French railways on line for deficit

The French state-owned railway network, SNCF, revealed yesterday it would suffer a deficit on its operations of about FFr7.3bn ($1.24bn) this year, writes John Ridding in Paris.

The company blamed investments in the modernisation of tracks, the construction of high-speed lines and improvements in safety standards. Spending in these areas is expected to be about FFr6.42bn for the year.

There was a 7 per cent drop in passenger traffic, put down to the recession, as were losses of FFr2.5bn in the freight division.

### New interior minister in Spain

Mr Antoni Asuncion, Spain's secretary of state for prisons, has been named to replace Mr Jose Luis Corcuera as interior minister, writes Tom Burns in Madrid.

Mr Corcuera resigned abruptly last week after the constitutional court revoked part of a security legislative package prepared by his ministry.

### Russia urged to halt Aeroflot break-up

A senior Russian air transport official yesterday urged the government to consolidate the country's civil aviation industry and reverse Aeroflot's break-up, writes Leyla Boulton in Moscow.

Mr Valery Kosyanenko, deputy chief of the transport ministry's aviation department, said that 160 airlines had emerged from Aeroflot, once the monopoly airline of the former Soviet Union, and that 161 new ones had been set up from scratch.

Almost every town with an airport in Russia has its own airline. Mr Kosyanenko suggested one solution would be to create holding companies consolidating several "airlines" and airports.

# Italian parties raise hopes of passing budget

By Robert Graham in Rome

Italy's main political parties last night appeared to have reached a broad agreement on a formula to ensure parliamentary approval for the 1994 budget without undermining the planned austerity measures.

The basis for the agreement was laid in talks yesterday between Mr Carlo Azeglio Ciampi, the prime minister, and his three economic ministers with representatives of the principal parliamentary parties.

The prospect of the budget passing through parliament with its principal objectives in tact prompted a recovery of the lira and a modest rise on the Milan stock exchange. In the previous two days the financial markets have been nervous about the prospect of the Ciampi government being able to carry out its pledge to implement a tough budget that reduces the public sector deficit.

Mr Ciampi was obliged to call the meetings on Tuesday when it became evident a number of deputies in the Christian and Democrat party were threatening to withdraw their support. Their threat followed the disastrous performance of the four-party ruling coalition in last Sunday's local elections.

In the wake of the poll, there have signs of serious strains within the Christian Democrats, the dominant partner of the coalition. Some deputies have openly said it is no longer worthwhile backing unpopular measures, such as pruning the civil service, which they had never fully accepted when first announced two months ago.

However, the Christian Democrat leadership has issued a strong call to order. Mr Mino Martinazzoli, the party secretary, said he would never be a party to sabotaging the budget. The 1994 budget envisages raising L32,000bn (£12.9bn), mainly through spending cuts in order to reduce the public sector deficit to 8.7 per cent of GDP. Mr Ciampi has indicated the government is willing to consider small amendments providing the overall framework is unaltered.

Yesterday, representatives of the former communist Party of the Democratic Left (PDS) indicated they would be backing the budget after seeing Mr Ciampi. However, the PDS said it was anxious to ensure the budget was more explicit in providing measures to combat unemployment, with a jobless total close to 11 per cent.

As part of yesterday's meetings, the Christian Democrats and PDS were seeking to forge an agreement on avoiding extensive amendments. That could mean the budget passing quickly through parliament.

The Christian Democrats are also understood to be demanding that the Northern League makes a formal commitment ot support the budget.

Signs of life, page 21

# Court rebukes big retailers

By Andrew Hill in Brussels

The European Court of Justice has issued a stern warning that it is fed up with examining complaints from big retailers against national restrictions which have no effect on cross-border trade.

The ruling comes in the wake of a series of cases brought against national laws which prohibit Sunday trading.

Court officials said the European judges wanted to deter retailers from making similar challenges in the future unless they can prove that national rules are discriminatory and a hindrance to the free movement of goods – one of the central planks of the single European market.

"There's an increasing number of these cases and I think their lordships are thoroughly fed up with them," said one court official yesterday.

The warning comes in the form of a judgment yesterday on a test case brought by two French supermarket chains against national laws which prevent retailers from selling everyday products at a loss to bring customers into their stores.

The European Court ruled that the national legislation restricting use of "loss leaders" was compatible with European law. The judgment means two managers from the big French supermarket chains Cora and Coop could be prosecuted for flouting the rules.

The last British case of this sort to be judged by the Luxembourg-based court was in December 1992, when the court decided that rules restricting Sunday trading in England and Wales were not contrary to European law.



# Fears grow of Russian energy shortages

By John Lloyd in Moscow

The supply of energy to industry and homes in Russia over the winter is at risk – under the twin pressures of cuts in the budget and threatened mineworkers strikes.

Mr Oleg Soskovets, first deputy prime minister and acting head of the government in the absence on holiday of Prime Minister Viktor Chernomyrdin, has warned of shortages by early next year unless billions of roubles are provided to energy producing industries. At a government meeting yesterday, Mr Soskovets lambasted the Ministry of Finance for "behaving like an ostrich" in the provision of credits to the industry and said it had provided only half of a planned Rbs610bn to the energy sector.

Mr Soskovets said that Mr Boris Fyodorov, the finance minister, should be made personally responsible for the supply of finance to the energy sector. Temperatures plunging to -20 per cent below zero throughout Russia have hugely increased energy consumption, while supplies have been cut in some areas down to 30 per cent of normal levels, according to Mr Soskovets.

Mutual debts of enterprises in, or heavily dependent on, the energy sector are put at Rbs 8,000bn – a situation which is causing progressive paralysis, particularly in the coal sector.

The flashpoint is the Vorkuta coalfield, where miners have threatened an all-out strike from December 1 if they do not get back payments for the last three months. A report in the daily Izvestiya said Rbs100bn had been set aside for pay arrears – on the eve of a planned visit to Vorkuta tomorrow by Mr Yegor Gaidar, first deputy prime minister and leader of Russia's Choice political group.

The Fuel and Energy Ministry said yesterday "an explosive socio-economic situation has developed in the coal regions" and said miners were due Rbs400bn in back pay.

The miners have been the main industrial support for President Boris Yeltsin and reformers in the government. Their 1991 strikes fatally weakened the tottering Soviet government, and strikes in 1989 signalled the first widescale dissatisfaction with the policies of Mr Mikhail Gorbachev, then Soviet president.

In an interview with Izvestiya, Mr Yuri Malyshev, head of the Rusugol coal enterprise, said a plan to shut 42 of Russia 236 pits which had run out of viable reserves would be put into effect between now and the end of the century.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NEWS: EUROPE

# UK airline may sue over EU subsidies

By Paul Betts, Aerospace Correspondent

British Midland Airways (BMA), the UK's second largest airline, is considering taking legal action against the European Commission for failing to enforce new rules against government subsidies for financially troubled European state-controlled airlines.

Sir Michael Bishop, BMA's chairman, said yesterday his airline was already taking legal advice over possible action against the Commission.

He claimed Brussels was distorting the new liberalised European aviation market by failing to uphold the new rules against state subsidies to ensure fair competition in its third airline liberalisation package which came into force at the beginning of this year.

"Smaller airlines were enticed to expand their services in the new deregulated market on the grounds that the EU would stop state aid for national flag carriers," Sir Michael said. With Brussels failing to clamp down on these subsidies, smaller airlines have been badly hit while bigger, financially troubled, state-owned carriers have been able to continue operating under the protection of large government handouts, he argued.

Troubled state carriers, including Air France, Air Portugal and Aer Lingus, are receiving substantial financial support from their governments provoking, in Sir Michael's view, "a grotesque distortion" of the new EU open airline market.

"A number of smaller airlines are going bust, while the bigger companies which are really bust are being allowed to carry on through artificial supports," he said.

Sir Michael said he had already raised these issues with the EU competition and transport commissioners at a meeting of the European Airlines Association in Brussels last Friday.

Although the UK government has also campaigned against state support for European national carriers, Sir Michael also accused the British government of distorting the UK airline market by failing to review last year's acquisition of Dan-Air, the Gatwick-based regional carrier, by British Airways for a nominal £1.

"The UK government has also let down smaller airlines by turning Nelson's eye to BA's takeover, first of British Caledonian and then of Dan-Air," he said. As a result BMA had been squeezed on two fronts: in Europe and the UK.

Unlike several other smaller European airlines, BMA had been able to compete against the larger flag carriers because of its strong position at London's Heathrow airport, where it holds the second largest number of landing slots after BA, and its partnership with Scandinavian Airlines System (SAS), which currently owns 34.9 per cent of the UK carrier.

# Spanish showdown on incomes policy

## Talks between unions, employers and government have failed to secure a social pact and protests begin today, writes Tom Burns

Workers in Spain are planning protests across the country today as the unions start to test the government on its attempts to secure an incomes policy for the next three years.

Agreement on wage moderation is central to efforts by Mr Felipe González, the prime minister, to pull Spain out of recession. But three months of talks aimed at securing a social pact between unions, employers and government have produced nothing.

Both the government and unions are digging in their heels. Mr González says he will force through measures to deregulate the labour market and to peg wages below inflation, whether or not he has an agreement. He has put a November 30 deadline on the talks. Officials say emergency legislation will be put before the cabinet on December 3.

The unions say they will follow up today's protests with a 24-hour strike towards the end of December. The prospect is now one of a government-union showdown marked by escalating industrial unrest that is likely to undermine confidence in the peseta.

More talks on the social pact are planned for tomorrow but it is unlikely anything can now be agreed.

Mr Pedro Solbes, the economy minister, who drew up the reform package, sums up the government's frustration over the negotiating process: "Rarely have I attended such long meetings with so little to show for them." The government would have preferred a consensus, but it is determined to act alone because the reforms are "urgent and necessary".

The talks were probably doomed from the start. In early October Mr González acknowledged as much in an interview with the FT: "The great problem of (the social) pact is that the government has nothing to give in exchange. We are asking for an incomes policy to improve competitiveness, for changes in traditional collective bargaining procedures and for a modification of the labour market that will make it more flexible... this requires a cultural change in union attitudes and this is very difficult."

The unions may be blamed for intransigence but the government can equally be accused of failing to face up to the unions in the past and of now attempting to do too much, too late. The rigidities concerning fixed employment conditions, severance terms and job classifications that Mr González now seeks to loosen were enshrined in a Workers' Statute that was legislated by his government in 1984.

At that time Spain, which was then not a member of the European Union, enjoyed a highly protected economy, had strong pent-up growth potential and a cheap labour force. None of these conditions applies today as Spain enters its second year of recession, with the domestic economy contracting 1 per cent by the third quarter.

During the economic growth period of the late 1980s, the government did little to curb inflationary wage agreements in public sector companies and forced up unit labour costs by transferring a growing social security burden on to companies. At present 24 per cent of Spain's social security expenditure is financed directly by companies, against an average of 9.8 per cent in the EU.

Attempts by the government to stimulate jobs were counter-productive or short-lived. A system of short-term contracts introduced in 1986 merely created a rotating system that had employees alternately working and receiving unemployment benefits, and a youth employment scheme was abandoned after a general strike in 1987.

Mr Carlos Ferrer Salat, the chairman of Unice, the European employers' confederation, points out that Spain now has double the the EU's unemployment rate, three-times that of the US and 10-times that of the Pacific rim. "Europe has the most costly and rigid labour market in the world and Spain has the most costly and rigid market in Europe," said the Barcelona-born businessman.

In the midst of the worst post-war recession that Spain has endured, the government has now come round to facing the deep-seated structural problems that it believes are preventing job creation, even in growth periods, and which have forced up wages even when the economy was flat.

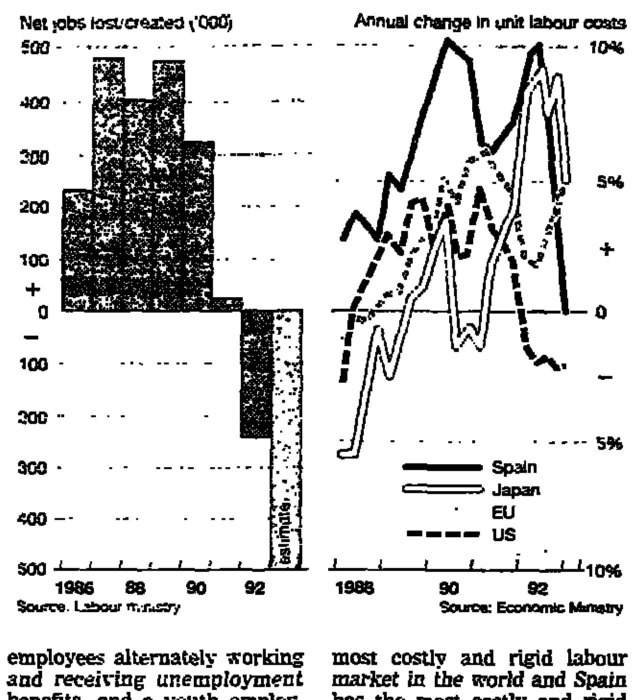
"Why does our economy only create jobs when it is growing by more than 2 per cent?" Mr Solbes asked a recent meeting of businessmen in Barcelona. "Why, even when we are booming, do we have unemployment levels of 16 per cent? How is it that in the midst of a recession, wages increases are above our inflation level and above those in other countries that are better off then Spain?"

Mr Solbes, an economist, knows the answers perfectly well and he has brought Mr González round to understanding the nature of the problem. This is why the government has embarked on its go-it-alone course of imposing an incomes policy and reforming the labour market.

By January 1 Mr Solbes wants clear guidelines in place that will hold down wages to below inflation over the next three years. He also wants new laws that end fixed-term employment contracts, permit job mobility, streamline redundancy procedures and lower severance costs, and which substitute sectorial collective wage agreements with case-by-case deals.

Bracing himself for the forthcoming bout of labour unrest, Mr Solbes is talking tough: "The country is in no position to have strikes. It has to get down to work."

**Spain**




# French express optimism on deficit target

By David Buchan in Paris

The French government said yesterday it would be able to keep this year's budget deficit to the original target of FFr317.6bn (£36.3bn), chiefly thanks to the influx of privatisation receipts and some juggling with social security accounts.

Presenting a year-end "rectifying" mini-budget, Mr Nicolas Sarkozy, the budget minister, said it had been a long time since a French government had "hit its deficit target to the very last centime".

Since this year's budget was voted in June, the government has been able to make economies of FFr22.3bn. Half of this has come from smaller debt service charges (FFr3.7bn) as a result of lower interest rates and from this summer's big "Balladur bond" issue. The bond saved the government FFr7.8bn it would otherwise have had to pay in short-term borrowing costs.

The FFr22.3bn savings balanced out the recession-induced FFr3.2bn drop in tax receipts – which would have been far greater had not Paris paid FFr5.6bn less to the European Union budget than it originally calculated – and an extra FFr[illegible] which the Balladur government has forked out this year to help the housing sector and to placate its farmers.

But Mr Sarkozy's self-satisfaction yesterday was made possible by charging some FFr4.5bn in school aid to the family allowance fund – one of the few in the welfare system to be in surplus – and by using some of the privatisation receipts, which constitute backing for the Balladur bond issue, for current budget expenditure.

Such ruses may become increasingly necessary if France is to stick to its commitment, contained in the Maastricht convergence plan it presented to EU partners this week, to reduce total French public deficits to 2 per cent of national output by 1997.

The credibility of this goal depends on the economy returning to growth in 1994. Mr Edmond Alphandéry, the economy minister, yesterday dismissed October's 1.2 per cent drop in consumer goods sales as a blip in the uneven path to recovery. Citing encouraging trends in housing starts and investment intentions, he held to his forecast of 1.4 per cent real growth next year.

# Bosnian Serbs ease blockade on aid convoys

By Laura Silber in Belgrade

United Nations aid convoys yesterday crossed front lines carrying emergency relief for central and eastern Bosnia while Serb leaders called for the lifting of punitive sanctions against Yugoslavia.

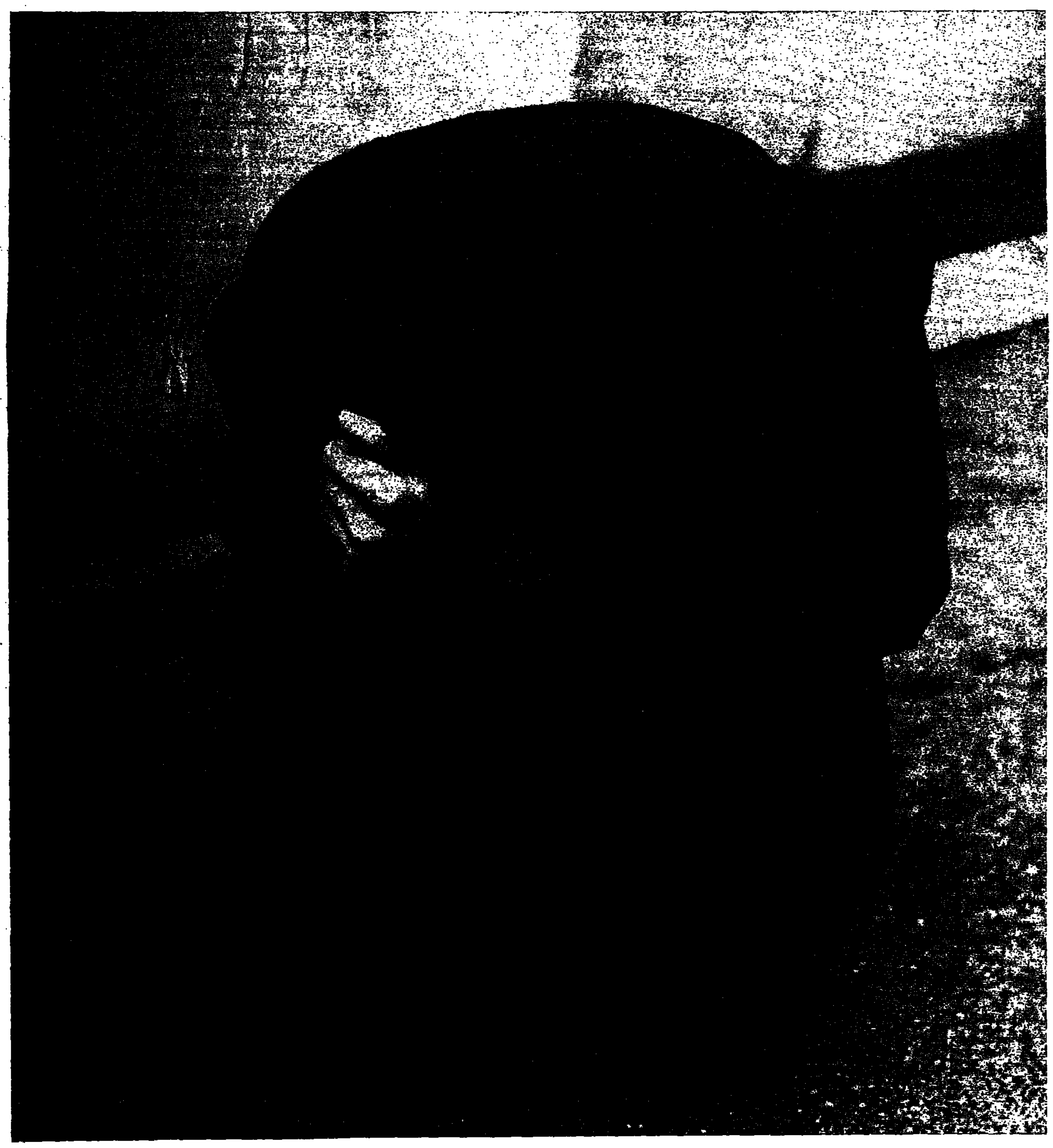
Serb commanders in eastern Bosnia yesterday finally allowed the passage of three convoys carrying food for the Moslem enclaves of Tuzla, Zepa and Srebrenica, which have been designated UN "safe areas", said Miss Lyndall Sachs of the UN High Commissioner for Refugees (UNHCR).

But Serb leaders continued to block the passage of food and winter supplies for another "safe area", Gorazde, south-eastern Bosnia, as they apparently tried to push forward towards the Moslem enclave. UN military observers yesterday reported heavy Serb artillery fire on the enclave.

At the same time, two convoys headed for UNHCR warehouses in Zenica, central Bosnia. Overland convoys were suspended to central Bosnia on October 26 after a Danish lorry driver was killed. The leaders of the three warring parties last week pledged to allow free access for relief.

Serb leaders stepped up their campaign for the lifting of UN sanctions, imposed 19 months ago in response to the carve-up of Bosnia. Mr Radovan Karadzic, Bosnian Serb leader, called on the UN to suspend sanctions on what remains of Yugoslavia. "We must not rely only on hints to suspend sanctions. If the international community wishes talks to succeed, it must suspend sanctions now and allow the Serb side to be fully equal in the talks," reported Tanjug, the official news agency.

But remarks by Mr Momcilo Krajisnik, a Bosnian Serb leader, yesterday cast doubt on new peace talks with the 12 European Union foreign ministers in Geneva next Monday. The Serbian side would apparently seek a postponement, although he added they would attend if necessary.



# Thailand sets out on path to freer market

By Victor Mallet in Bangkok

The Thai government plans a series of economic reforms in the coming months, with the emphasis on liberalising the financial sector and reducing import tariffs to improve the competitiveness of Thai commerce and industry, Mr Tarrin Nimmanahaeminda, finance minister, said yesterday.

In an interview with the Financial Times, Mr Tarrin said the first step was to expand the scope of operations which can be undertaken by the 47 banks granted offshore banking licences under the Bangkok International Banking Facility (BIBF).

The plan was to allow BIBF licence holders from early next year to open additional branches outside Bangkok and start lending in local currency up to specified limits, although they would not be permitted to accept local deposits and would have to raise funding from the money markets. "The BIBF would be upgraded into restricted branch operations."

Later, foreign banks would be allowed to open additional conventional branches and more such institutions would be granted access to Thailand. Now, foreign banks are allowed only one branch and cannot have electronic banking outlets except on their premises.

The hope was that the Uruguay Round of world trade talks would be successfully concluded this year. Thailand was planning "massive" customs tariff reforms, involving lowering those on raw materials imports, making tariffs more logical, and cutting the number of rates to six from 31.

Import tariffs would be progressively reduced, independent of reductions due under the Asean Free Trade Area and the General Agreement on Tariffs and Trade, to expose Thai business to competition.

"This is a big move for Thailand. What you will see in the longer term (say three years from now) is a much freer market, much more vibrant imports; you'll begin to see more investments taking advantage of this and turning it around to exports," Mr Tarrin, former president of Siam Commercial Bank, added.

Although the five-party coalition government of which Mr Tarrin is a member is unstable, economic reform plans are at an advanced stage and generally supported by technocrats in the bureaucracy, if not by industrialists in protected sectors such as petrochemicals.

The Thai economy continues to perform robustly despite the weak state of Thailand's export markets in Europe and Japan. Export growth is expected to reach only 10 per cent this year, compared to a forecast 15 per cent, but this is mainly the result of weak agricultural commodity prices; electronics exports are still rising sharply and the domestic market remains strong.

Mr Tarrin said he expected real gross domestic product to increase 7.5 per cent this year and 7.5-8 per cent in 1994. Inflation this year has fallen to about 3.6 per cent, but inflationary pressures next year would probably prompt a rise in interest rates.

# Pressure for Japan discount rate cut resisted

By William Dawkins in Tokyo

Japan's central bank yesterday resisted pressure for another cut in the official discount rate, despite a continued slide in industrial output.

Mr Yasushi Mieno, governor of the Bank of Japan, admitted to "grave concern" about the continued falls in share prices, which brought the Nikkei index down another 1.8 per cent yesterday. A fall of 317.73 points to 17,067.11 reflected deepening gloom about Japanese industry's poor profits outlook.

But "in the current economic adjustment phase, lower interest rates alone will not create fresh demand," said Mr Mieno, responding to suggestions that the bank might be considering another cut in its main rate, already at a record low.

As he spoke, the Ministry of International Trade and Industry disclosed that industrial production dropped by 3.8 per cent year-on-year in the third quarter, the eighth quarterly decline running.

Worryingly, inventories were 1.1 per cent higher at the end of September than three months earlier. This indicates that production will stay sluggish at least until the end of the year, Miti said.

To worsen the gloom, the Japan Automobile Manufacturers' Association announced the sharpest monthly drop in vehicle production for 19 years.

Vehicle output, which with car sales is an important indicator of consumer sentiment, plunged 15.7 per cent in October from a year earlier.

Mr Mieno saw no sign of a general economic recovery, but doubted that a the recession would develop into a "worsening spiral".

The central bank had "taken all necessary steps in terms of monetary policy," after cutting its main rate seven times since July 1991, to 1.75 per cent.

Japan's economic health had not changed either way since the most recent rate cut in September, he said.

# Jordan bank deal imminent

By James Whittington in Amman

Jordan and the Palestine Liberation Organisation are close to signing an agreement which will give the Central Bank of Jordan (CBJ) wide-ranging monetary responsibilities in the occupied territories during the transitory period of Palestinian self-rule.

A draft copy of the document gives Jordan's central bank the job of supervising and monitoring banks which open branches in the West Bank and Gaza Strip. It provides for the continuation of the Jordanian dinar as legal tender during the interim period. And it gives the CBJ ultimate responsibility for control of the money supply in the occupied territories and inflation and capital flows.

Mr Mohammad Nashashibi, chairman of the PLO's department of economic affairs and planning, says once the agreement is signed within the next few weeks, a joint Jordanian/Palestinian monetary and banking committee will be established to oversee the bank's policies in the territories. This will include CBJ officials and Palestinian economists approved by the PLO.

The agreement is still pending approval by the PLO in Tunis which remains nervous about giving too much control to the Jordanian monetary authorities. PLO officials insist the arrangements will be temporary.

Mr Michel Martou, deputy governor at the central bank, says it is happy to play the role of supervisor but before the agreement enters into force it must iron out differences with Israel over foreign exchange controls and the convertibility of the Israeli shekel.

Reuter

Egyptian President Hosni Mubarak (left) and Jordan's King Hussein inspect the honour guard in Cairo yesterday. The king is hoping to improve relations soured during the Gulf War in 1990

One of the first tasks of the central bank will be to help commercial banks open branches in the occupied territories. Eight banks operating in Jordan, including the British Bank of the Middle East and ANZ Grindlays, have expressed an interest in reopening branches closed after the 1967 war.

The Jordanian/Palestinian draft agreement stipulates that banks in the occupied territories will operate solely under Jordanian law. It also provides for Palestinian companies in the territories to issue shares on the Amman financial market. An official announcement is expected by mid-December.

Meanwhile, Palestinian officials have announced plans to establish a mixed-sector Palestinian Bank for Development and Reconstruction in the West Bank town of Jericho. Mr Nashashibi says the bank's capital will come from wealthy Palestinian businessmen and the PLO and will be used to develop housing, industry and agriculture.

The Palestinians eventually want their own central bank, currency, and a Palestine stock exchange. But Mr Mohammad Saed Nabulsi, Jordan's central bank governor, recently said in a speech to Jordanian businessmen that such ideas would be unmanageable.

"After a short period of romance, with their own currency and a central bank, the reality will prove to the Palestinians to be a big mistake," he said. He argued that the monetary responsibilities of the CBJ in the occupied territories should be seen as a step towards economic unity with Jordan and confederation.

Since the announcement of the PLO-Israeli peace accord, Jordan has been concerned about economic marginalisation by both Israeli domination of the Palestinian market and foreign aid aimed at developing the occupied territories to the exclusion of Jordan. However, monetary and banking responsibilities in the occupied territories goes some way to allay these fears.

# Plan to move into occupied zone

By Julian Ozanne in Jerusalem

Jordan's two biggest commercial banks, Bank of Jordan and Arab Bank, are preparing to open 30 branches in the occupied West Bank and Gaza Strip to serve the Palestinian economy, due to be self-governing by April.

Israel and the Palestinians have yet to agree on future economic relations in trade, money and banking, but the Jordanian banks, controlled by Palestinian money, have proceeded to buy land and start buildings.

The only bank operating in the territories is Cairo-Amman Bank which has eight branches.

Mr Yahya Kadamani, a director of Bank of Jordan, said his bank was ready to open its first branch in Ramallah in January. The building merely awaited furniture from Italy.

He expected to be conducting operations in both the Israeli shekel and the Jordanian dinar, which would come under control of the respective central banks of Israel and Jordan. Interest rates would vary according to the currency lent. All foreign exchange business and issuance of letters of credit would have to come under the Israeli central bank. Commercial banks operating in the Palestinian economy would have to establish correspondent banking relations with Israeli commercial banks to carry out foreign exchange transactions.

Arab Bank, one of the biggest banks in the Middle East, has also said it will open up to 24 branches across the occupied territories over the next two years. The first are planned to open in six months in Nablus, Ramallah and Hebron.

The first Palestinian bank, Palestinian Commercial bank, is also to open eight branches.

The decisions of the commercial banks to go ahead with planning branches appears to suggest the bankers have concluded detailed negotiations with the central banks of both Jordan and Israel and with the PLO.

# Lee risks losing face on Taiwan vote trail

**Dennis Engbarth on the first time the president has publicly sought the support of the people**

Taiwan's President Lee Teng-hui is putting his prestige and political future on the line by publicly campaigning for candidates of his ruling nationalist party, the Kuomintang (KMT), in city and county elections to be held on Saturday.

The election is the first to take place since Mr Lee completed the process of bringing the Taiwan government and the KMT under the control of Taiwan-born leaders this year. The results could affect the stability of his hold on power and the progress of liberalising political and economic reforms.

Mr Lee said last week that his campaigning marked the first time in Taiwan's – or China's – history "that the head of state has directly faced the people".

County and city mayors have wide powers over their districts. They exercise control over local police forces, grant business and development licences and arbitrate environmental or labour disputes. This makes them the focus of intense contention among political and financial interests.

Of most relevance to the ruling party is the fact that mayors also oversee the administration of elections.

The KMT holds 13 mayorships. The main opposition Democratic Progressive party controls seven cities and counties. There is also one city run by a pro-DPP independent.

Further erosion could damage the KMT's hopes in elections next year for Taiwan provincial governor and for the mayors of the big Taipei and Kaohsiung municipalities.

In a blow to the KMT's fortunes yesterday, a senior member of the party defected to the opposition Chinese New Party, which was formed in August by a group of rebel KMT legislators.

Mr Hsu Li-nung, a veteran leader of the ruling party's conservative wing and a member of its central advisory committee, said he was joining the New Party because he was disgusted with rampant corruption.

On the campaign front, Mr Lee's longer-term aim seems to be his ambition to become Taiwan's first directly-elected president, says Mr Huang Hui-chen, executive director of the Institute for National Policy Research think-tank.

Mr Lee was elected indirectly in 1990 by the National Assembly to a six-year term. There are moves to submit a constitutional amendment to allow direct presidential elections before his term expires.

Reuter

Gymnasts entertain a crowd at an election rally in Taipei under the portrait of KMT candidate Tsai Sheng-pang

Despite previous denials about running for president, Mr Lee last week left the door open when he told the China Times newspaper: "It's not yet time to make a decision."

"If Lee wants to continue his reforms, he needs to firm up the KMT's control at the local level or else his control over the KMT itself may weaken," Mr Huang notes.

Mr Lee and the opposition DPP were often indirect allies in past confrontations with more conservative mainland-born KMT leaders.

The last powerful mainland-born leaders were sidelined by Mr Lee at the 14th KMT Congress in August. This now pits "a Taiwanese KMT against a Taiwanese DPP," says Mr Huang.

Mr Lee's greatest risk on the campaign trail is that he may wear out his welcome among the electorate which has indicated widespread approval of his moves to liberalise Taiwan's political regime.

"The main result of this campaign will be the disappearance of the Lee Teng-hui love-knot," says Mr Chao Shao-kang, convener of the New Party.

"Many voters forgive him for everything as he's the first Taiwanese president, but his dictatorial ways won't be tolerated forever," Mr Chao says.

Meanwhile the DPP is campaigning primarily on the clean and generally effective performance of its mayors. Like those of the New Party, DPP candidates have also pointed to a series of big cases of corruption or inefficiency, including delays and cost overruns of KMT-run Taipei city's mass transit system.

# India and Pakistan to resume talks

By Shiraz Sidhva in New Delhi

India and Pakistan are to resume talks on bilateral problems, including the status of the contentious Jammu and Kashmir, after a gap of nearly 15 months.

Mr J.N. Dixit and Mr Shahryar Khan, the foreign secretaries of India and Pakistan, agreed to meet in Islamabad from January 1-3, under an accord signed by the two countries in 1972 after Pakistan lost to India in a war over Bangladesh. The talks had been postponed for more than a year as relations between the two neighbours reached their worst point in 20 years.

India has consistently held that Kashmir is a domestic dispute to be resolved internally, and has accused Pakistan of training and funding Kashmiri militants engaged in armed warfare in the Kashmir valley. Pakistan has denied the allegation and insists on interpreting the so-called Simla Agreement of 1972 in the light of a United Nations resolution of 1948 providing for an internationally supervised plebiscite through which Kashmiris could choose between India and Pakistan.

An Indian foreign ministry official said that the recent peaceful resolution of the month-long stand-off between armed Kashmiri separatists and the Indian armed forces at Hazratbal, Kashmir's holiest shrine, and Islamabad's subsequent inability to move a resolution on the human rights issue at the UN general assembly paved the way for talks. Both nations appear to be responding to US pressure to resolve the Kashmir dispute through talks.

Mr PV Narasimha Rao, the Indian prime minister, had expressed India's readiness to resume a dialogue in his congratulatory message to Ms Benazir Bhutto, the newly elected Pakistani prime minister.

The Hindu right-wing Bharatiya Janata Party, India's largest opposition party, yesterday demanded that the ruling Congress government should convene a meeting of all Indian political parties before resuming talks with Pakistan. Mr Krishan Lal Sharma, the party spokesman, said Pakistan must be told that India would not tolerate interference in its internal affairs, that Pakistan should stop funding infiltrators fighting a separatist war in the Kashmir valley, and that the issue should not be raised in international forums.

Officials on both sides are sceptical that the talks will resolve the Kashmir dispute which has hindered relations between the two countries since partition in 1947, and over which two wars have been fought. But they agree that the resumption of talks is "a step in the right direction".

# Keating unlikely to testify before inquiry into newspaper ownership

By Nikki Tait in Sydney

Australia's prime minister Paul Keating yesterday indicated he was unlikely to give evidence to a Senate committee which would look into foreign ownership of Australian newspapers. Approval for the new committee is expected later this week, after its terms of reference were tabled in parliament yesterday.

Under these, the committee would look into "the origin and basis for decisions in 1991 and 1993 to increase the permissible percentage of foreign ownership of newspapers" and "whether those decisions were influenced by considerations relating to the content of newspapers including the requirement for "balanced' coverage". It would also consider the effectiveness of Foreign Investment Review Board rules.

The committee would be made up of four senators from the ruling Labor party, four from the opposition, and one nominated by the minority Australian Democrats. It could request that people appear before it, but could not demand they give evidence.

The committee's formation has been spurred by disclosures that Mr Keating demanded more balanced coverage from the John Fairfax newspapers, including the Sydney Morning Herald, Melbourne Age and Australian Financial Review, as a precondition to any increase in the stake held by Mr Conrad Black, the Canadian media tycoon.

The conversation between Mr Keating and Mr Black took place before the federal election. After the March election, the cabinet approved an increase from 15 to 25 per cent in Mr Black's interest.

But the prime minister, under attack over the Fairfax decision during parliamentary question time yesterday, told the opposition: "Listen, brother. . . I know my place in the world. I do not slum it before senate committees."

Mr Keating defended the government's handling of the Fairfax issue, denying any impropriety had occurred, and accused Mr John Hewson, the opposition leader, of promising Mr Black a much larger stake.

● Chances of passage this year of the government's contentious land rights legislation, to set up a system for dealing with native title claims, dwindled yesterday when the two Green party senators gave conditional support to a Senate inquiry into the package.

The government lacks a majority in the Senate, and minority parties hold the balance of power.

# Guerrilla ministers ruled out in Cambodia

Prince Norodom Ranariddh, Cambodia's first prime minister, yesterday rejected as unconstitutional a suggestion by King Norodom Sihanouk, his father, that the Khmer Rouge guerrilla faction could be offered ministerial roles in government, Reuter reports from Dey Eith, Cambodia.

"The constitution prevents us appointing any people not members of the parties which have members in parliament," Prince Ranariddh told Khmer Rouge defectors being inducted into the army. By failing to respond to government peace offers, the guerrillas ran the risk of disappearing.

But the guerrillas might be offered a role as special envoys to report on the sovereignty of Cambodia's common borders with Laos, Thailand and Vietnam, he added.

King Sihanouk earlier proposed to offer "acceptable" Khmer Rouge officials positions as co-ministers, co-deputy ministers, co-secretaries of state and advisers in the new coalition government led by Prince Ranariddh. The Cambodian constitution forbids appointment of non-elected people to parliament.

The Khmer Rouge, held responsible for the deaths of 1m Cambodians during the 1975-79 "killing fields" years, have sought an advisory role in government.

# Seoul tough line could delay quick end to nuclear dispute

By John Burton in Seoul

South Korea has reasserted its influence in the negotiations to resolve the North Korean nuclear issue, but at a possible cost of delaying a quick solution to the dispute.

In his meeting with President Bill Clinton in Washington on Tuesday, South Korean president Kim Young-sam sidetracked a US proposal that would have suspended the joint Team Spirit military exercise in return for North Korea accepting the resumption of routine international nuclear inspections and exchanging special envoys with Seoul to discuss nuclear issues.

Instead, the two leaders said the North would have to fulfil the two conditions before concessions would be made. The statement amounted to a rejection of a recent North Korean proposal that Washington and Pyongyang make simultaneous compromises as part of a package solution.

South Korea has been concerned about recent US press reports that Washington was seriously considering the North Korean offer, which conflicts with Seoul's position that Pyongyang has to make the first concession. The unease felt by South Korean officials over the North's proposal was that it would lead to direct negotiations between Pyongyang and Washington, leaving Seoul on the sidelines.

The main worry expressed by South Korean officials was that the talks between Washington and Pyongyang would focus on inspections conducted by the International Atomic Energy Agency (IAEA), ignoring the issue of inter-Korean nuclear inspections.

Mutual nuclear inspections between the two Koreas lie at the heart of the present dispute. Seoul demanded last year that North Korea accept inspections of suspected nuclear facilities in compliance with a bilateral non-nuclear treaty that North and South Korea signed in December 1991. Pyongyang refused the request, explaining the treaty did not support this demand.

In response, Seoul sought to press Pyongyang by asking Washington to resume the annual US-South Korean Team Spirit military exercise this year, South Korean foreign ministry officials say.

Team Spirit had been suspended in 1992 as a goodwill gesture by Washington in response to North Korea's signing of the non-nuclear treaty with the South. Shortly after, Pyongyang agreed to accept routine IAEA inspections of its nuclear facilities. But last autumn's decision to resume Team Spirit angered Pyongyang.

Last March, it threatened to pull out of the nuclear non-proliferation treaty and stop IAEA inspections, citing resumption of Team Spirit as one reason, and protesting at an IAEA demand that it accept inspections of undeclared facilities.

Some analysts believe North Korea refused the IAEA request for special inspections because it would have created a precedent for accepting similar inspections by South Korea, the issue at the centre of their disagreements over mutual inspections.

**South Korea bowed to cries for help from struggling small manufacturers and announced yesterday it would admit 20,000 foreign workers to fill unskilled low-paid jobs that locals shun, Reuter reports from Seoul.**

**A Justice Ministry official said the workers would be permitted to stay for periods of up to two years.**

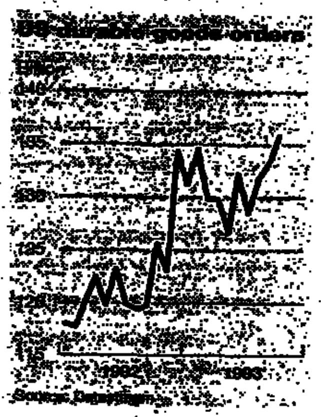
**The ministry also announced it would extend the limited amnesty for illegal guest workers for another six months.**

**Some 15,000 of the estimated 60,000 illegal foreign workers in South Korea registered for the six-month amnesty in June. They were originally required to leave the country by December 15.**

Figures point to accelerating pace of growth

# US factory orders jump in October

By Michael Prowse, in Washington



Reports of a sharp rise in factory orders yesterday provided further confirmation that the pace of US economic growth is accelerating.

The Commerce Department said new orders for durable goods rose 2 per cent last month and 8.7 per cent in the year to October. This was broadly in line with analysts' projections and followed reports of a big rise in the Purchasing Managers' Index.

Mr Ron Brown, commerce secretary, noted that orders rose in eight out of 10 leading industrial sectors, indicating the recovery in manufacturing was broadly based.

Increases in orders for capital goods indicated the economy's productive capacity was rising in line with higher consumer demand.

The rise in orders occurred in spite of an 11.6 per cent fall in defence orders last month, reflecting continuing budget retrenchment at the Pentagon.

Much of the strength in the civilian economy was concentrated in the volatile transport sector, where orders rose 5.5 per cent between September and October.

Aircraft orders rose an erratic 48 per cent.

However, excluding both defence and transport, orders rose a respectable 2 per cent last month – a sign that recent falls in long-term interest rates have increased demand for durable goods.

Orders for non-defence capital goods, excluding aircraft – seen as a guide to civilian investment trends – rose 1.5 per cent in October, the eighth increase in nine months.

Many forecasters are predicting growth at an annual rate of 4 per cent or higher in the current quarter. But the growth rate is widely expected to moderate early next year because consumer spending has run ahead of personal incomes.

● The Treasury is moving its Savings Bonds Division into the Bureau of Public Debt and is eliminating several political appointments from the US Mint, Mr Lloyd Bentsen, the Treasury secretary, said yesterday, AP-DJ adds.

The restructuring steps are aimed at cutting bureaucracy and improving customer service, Mr Bentsen said in a press release.

"In both cases, we looked at the environment we're operating in and we said it's time to change. What made sense a long time ago doesn't make sense now."

Incorporating the Savings Bonds division into the Bureau of Public Debt will help improve the marketing strategy for bonds, he said.

# TV decency rules likely to be dropped

By Jurek Martin in Washington

The US government may not set rules barring the televising of "indecent" programmes between dawn and midnight, a federal appeals court has ruled.

Such a prohibition, promulgated by the Federal Communications Commission last year on the instructions of Congress in order to protect children, violates the Constitution's First Amendment right of adults to view such material, according to the unanimous verdict of the DC-based court.

The bench's three members, Chief Judge Abner Mikva and Judges Patricia Wald and Harry Edwards – all appointed by President Jimmy Carter – are considered to be among the most liberal interpreters of the constitution. Last week it struck down the military's ban on homosexuals because it infringed individual constitutional rights.

At issue in this case was the question of obscene, but not violent, programming. The main commercial networks have a system giving early warning of materials reckoned to contain excessive violence.

But about 60 per cent of US households now pay for cable television service, a lot of which is devoted to both violent and suggestive programming. However, the courts have been reluctant to intervene with cable because its subscribers exercise choice in buying their programmes.

The Clinton administration, keen not to appear soft on obscenity, may appeal on this latest judgment to the Supreme Court. Ms Janet Reno, the attorney general, has frequently spoken out against the content of TV programming and is under instructions from the president to toughen the child pornography laws.

# Brazilian finance minister set to quit race for presidency

By Angus Foster in São Paulo

Mr Fernando Henrique Cardoso, Brazil's finance minister, has signalled his withdrawal as a possible candidate in next year's presidential elections by promising to remain as a minister instead.

Finance ministry officials say Mr Cardoso has written to President Itamar Franco saying he will not run in presidential, senatorial or gubernatorial elections next October.

Technically, Mr Cardoso could change his mind before April 2, the deadline for candidates to announce they will run. But analysts said such a reversal would be politically damaging and provide an easy target for opponents.

Mr Cardoso's term as a senator runs out next year and he had been widely seen as a presidential hopeful. As a former academic and foreign minister, he has strong support from foreign investors. However, his intellectualism was seen as a barrier to winning popular support. In opinion polls released at the weekend Mr Cardoso had only 7 per cent support.

His withdrawal from the presidential race should improve the now slight chances of a successful economic reform package being approved before the elections. The government needs congressional support for its 1994 budget, due to be announced later this week, and other structural changes aimed at tackling inflation of close to 2,000 per cent a year. But some important political groups had been opposed to the measures because they feared a successful economic reform would boost Mr Cardoso's election chances.

Mr Cardoso's letter suggests he needs more time to implement the reform measures, which involve spending cuts and are therefore likely to be difficult to implement in an election year.

According to the polls, Mr Luiz Inacio Lula da Silva of the left-wing Workers Party (PT) is the presidential favourite with 31 per cent, while his nearest probable rival is the right-wing mayor of São Paulo, Mr Paulo Maluf, with 12 per cent. However, analysts said these ratings could change considerably over the next 11 months.

British writer Salman Rushdie (left), the subject of Iranian death threats, embraces Alan Lightman of Massachusetts Institute of Technology after being named honorary visiting professor AP

# Mexico to loosen curbs on labour

By Damian Fraser in Mexico City

The Mexican government is to reform the federal labour law in an effort to increase worker productivity.

The new law would scrap the seniority clause that restricts the ability of some companies to promote workers. It would also speed resolution of disputes between management and unions by replacing the current labour conciliation and arbitration panel with more streamlined tribunals.

The president has also sent Congress new laws to allow foreigners to operate trucks and buses in Mexico, and would permit foreign investment in maritime transport. The law also extends the maximum concession for private toll roads to 50 years.

"What we are seeing are the internal changes that are necessary to compete under the North American Free Trade Agreement," says Mr Mario Dehesa, an economist with Grupo Financiero Serfin. "We cannot compete with our hands tied behind our backs."

Mexico's labour arbitration panels can take two years to resolve cases, which is usually not in the interest of either the workers or management. The panels are heavily influenced by the government, which can generally resolve high profile labour disputes as it wishes.

The proposed reforms to the labour law will be sent to Congress before December 15, a senior government official said. They were welcomed by Mexico's business community, which sees the complicated and detailed regulations as an obstacle to productivity. Labour unions are believed to be opposed to some of the changes.

# Washington life wears out Clinton aides

Two members of the team are going home for Thanksgiving and staying, reports **Jurek Martin**

Thanksgiving is the ultimate American holiday because far more than any other, including Christmas, it reunites families. The Wednesday before and the Sunday after it are the year's busiest travel days. For 96 hours, the country pretty much shuts down.

Even the hyperactive President Bill Clinton and his family are ensconced for today's holiday in Camp David, the presidential retreat in Maryland's Catoctin Mountains he is said not to like very much. Before leaving he shared the traditional turkey at a Washington church hall providing free dinners for those without homes or families to go to.

There is a particular poignancy at this Thanksgiving for Mr Clinton and those who sweat loyally for him. For he has just lost two senior members of his team – Mr Howard Paster, White House head of congressional liaison, and Mr Roy Neel, deputy chief of the White House staff – who have declared that they want to spend more time with their families than one turkey dinner might allow.

It might seem odd that they should go after the great Nafta triumph for which both, with Mr Paster particularly visible, worked so hard. But for once this classic political excuse may be valid and no one in Washington, an eternally suspicious town, was seriously questioning it this week.

Mr Paster put it best. "There are no recesses or weekends. The beeper and the phone respect no private time. And we have added a new standard of intensity." For those with children and, as in his case, a spouse with a career, balancing the priorities of life can get skewed, as the suicide of Vincent Foster, Mr Clinton's old friend and legal counsel, horribly demonstrated this summer.

Mr Clinton, like President Jimmy Carter before him, has publicly urged his staff to take more time off, but he takes little himself – 10 days on Cape Cod this summer and regular games of golf notwithstanding – and nor does his highly professional wife, Hillary. They both reckon they have a lot to do and not much time to do it in.

Similar motivation inspires the White House staff, many very young and more than willing, given the chance of a lifetime, to put in the seven-day weeks, 15-hour days, that have become routine. Most of their favourite bars and cafes are those that stay open very late and their attendance at private dinner parties around town can never be guaranteed.

It may be true that their lives have not been made easier by unsophisticated technology in the White House itself and by successive staff reorganisations after early difficulties. Mr Neel, long an aide to now Vice President Al Gore, was transferred in the summer to help Mr Mack McLarty, chief of staff, while a few internal feathers were ruffled by the arrival at the same time of Mr David Gergen, the ex-Republican political spinner. But the Clinton White House is not conspicuously riven by competing internal camps.

Mr Paster and Mr Neel, both Washington veterans, knew what they were letting themselves in for and ultimately got out, without apparent regrets. Yet they will be replaced by people of comparable experience, like Mr Harold Ickes, the experienced New York operator whose own political lineage includes a father who was FDR's interior secretary.

## 'We got nothing we wanted in Washington' – Balladur

# French PM frustrated in farm talks

By David Buchan in Paris

French Prime Minister Edouard Balladur yesterday told a meeting of more than 400 of his conservative government's backbench MPs that "we have obtained nothing... of what we have asked" from this week's Washington talks on Gatt.

He spoke after his trade minister, Mr Gérard Longuet, was briefed on the outcome of the Washington talks by Sir Leon Brittan, Europe's Gatt negotiator, who on his return from the US yesterday stopped over at Paris airport.

Taking a robust line in front of his parliamentary majority, Mr Balladur said he would not respond to American calls that he should show "leadership" in the Gatt talks if that meant abandoning French national interests. The prime minister's pessimism was echoed yesterday by the French Foreign Ministry which said, that "at this stage, there is no sign of progress" on the main Gatt issues dividing the US and the European Union.

Equally, however, there was no suggestion from Paris that accommodation with the US on Gatt was doomed. Mr Longuet noted that Sir Leon had left some of his officials behind in Washington to continue talks, and that France's concern was to stay in permanent contact with the negotiators.

In the end-game under way in the Uruguay Round, France is increasingly frustrated at not being able to play a direct part on such issues as agriculture and audiovisual broadcasting, where it has taken a particularly tough line. Officials say they are confident Sir Leon will advise them and other EU governments on the state of play, but complained that Mr Longuet did not get this from the European commissioner yesterday.

In view of the December 15 deadline which France now implicitly accepts, Mr Balladur said yesterday he would want to know "the state of things in the first days of December" so he could consult his ministers, his coalition and European partners. Gatt will top the agenda at next week's Franco-German summit in Bonn, which will precede a EU foreign ministers' meeting.

US trade representative Mickey Kantor gestures towards European trade commissioner Sir Leon Brittan at a press conference after US-EU trade talks in Washington AP

# US Congress set to press on with retaliatory financial services law

By George Graham in Washington

The US Congress is expected to press ahead next year with legislation authorising retaliatory trade measures in the financial services sector, even if the immediate need for the bill as a negotiating weapon in the Gatt talks has disappeared by then.

The Treasury had hoped that the progress of the "Fair Trade in Financial Services" bill through Congress would increase their leverage to persuade countries such as Japan, South Korea, Indonesia, the Philippines and Brazil to improve their offers to increase access to their financial markets as the Uruguay Round of Gatt negotiations draws to a close.

The bill would allow the Treasury to restrict the expansion of banks and securities companies from countries which do not offer equal access to American businesses.

Treasury officials say they made some headway in recent visits to some of these countries, but are wary of predicting the outcome of the talks on financial services, which remains, from the US perspective, one of the biggest stumbling blocks to an overall Gatt agreement.

Although the Senate banking committee's attempt to agree on the bill's language was held up by an unrelated dispute on legislation to allow US banks to open branches outside their home states, in the House of Representatives the subcommittee on international development, finance and trade completed work on a draft.

The House has in the past been the most difficult obstacle to passage of similar retaliatory legislation, largely because of differences of opinion between the banking, energy and commerce and ways and means committees. Congressional aides expect, however, that this time these divergences will be smoothed out, enabling the bill to pass early next year.

These aides say that whether or not the Gatt talks are completed by the US deadline of December 15, the legislation will be needed.

In the event of a successful Gatt deal, it would be required to enforce the two-tier approach that US negotiators are seeking to apply in the financial services area, discriminating against "free riders" which have not opened their markets.

Other aides caution, however, that the language of the bill, which has been carefully wrought to exclude the European Union from any retaliation threat, is so closely tied to the Gatt talks that it would need to be completely reworked in the event of a breakdown, or if the US fails to win the exemption it is seeking in the financial services sector from the obligation to apply the most favoured nation principle.

# Germany and UK share Gatt worry

By Judy Dempsey in Bonn

Germany and Britain are concerned that failure to meet the December 15 deadline for the Uruguay Round of international trade talks will let the US distance itself further from Europe, diplomats said yesterday. Speaking on the eve of the annual Anglo-German summit, which will take place in Bonn, officials said the collapse of the Uruguay Round, whose deadline is December 15, would be "catastrophic".

"Germany and Britain are so dependent on exports. It would be very damaging if there was no agreement," a British official said. But a senior German official went further in highlighting what it would mean for Europe as a whole.

"The case of Nafta, and the talks in Seattle with Asian countries last week, was the first time in which Europe was not involved. This is a signal. Despite what is said in public to the media, the US and Canada are focusing on Asia, and shifting away from Europe."

The official added that while the Uruguay Round will be "very much top on the agenda" in the one-day summit between Chancellor Helmut Kohl of Germany and Mr John Major, British prime minister, parallel talks between trade, defence and foreign ministers will focus on social, bilateral and security issues. These include:

● Ways to tackle unemployment in the European Union. British officials implied the Delors white paper on reducing unemployment was "too Keynesian", adding that they would prefer to seek more emphasis on training, flexibility and innovation;

● Steel subsidies. German officials are angry about Britain's continuing opposition to proposed federal subsidies for Ekostahl, eastern Germany's largest steel mill on the grounds that the modernisation of the mill will contribute to over-capacity in the steel sector.

● Security, particularly ways in which to bring the countries of eastern Europe – and Russia – closer to Nato. German officials yesterday said there is still disagreement in Bonn about how to define, let alone extend security guarantees to eastern Europe.

# Negotiators down in the dumps over US draft

## Washington set to take on the world in clash over anti-dumping proposals, writes **David Dodwell** in Geneva

America's Thanksgiving gift to trade negotiators in Geneva is expected to be an unwelcome set of proposals to reform rules disciplining international dumping.

A clash over anti-dumping rules has long been anticipated by negotiators in the Uruguay round of talks on global trade liberalisation. Five separate texts have been presented in six years, and all have been rejected. The draft imposed at the end of 1991 was an arbitrated text, never agreed.

At the heart of the conflict has been a fundamental difference between the US – as a principal user of dumping laws and a fierce defender of its national prerogatives in this area – and the rest of the world, which at one time or another has felt victimised by what is seen as arbitrary use of unfair rules which lead with near-certainty to the conclusion that dumping has occurred.

But in the calm before the storm that is expected to erupt when the US list of amendments lands on desks across Geneva, officials recognise that something will have to be done to accommodate US concerns that the present text unreasonably weakens its power to act. "I pray it will be the minimum," one said.

From January this year, the US flagged its intention to challenge the existing draft text, in the teeth of near-universal opposition from the other 114 countries negotiating the Uruguay round.

"The danger is great," one negotiator said. "The US appears quite prepared to pull the plug on this issue. This would pull down the agreement we have on subsidies, which in turn would pull down our agreement on farm trade. The pack of cards would collapse."

Most countries see the growing use of anti-dumping laws – duties and fines against imports that are alleged to be sold at prices below those charged in a domestic market – as creeping protectionism.

As customs barriers have fallen over the past decades, so dumping actions appear to have become the protectionist's weapon of first resort.

| ANTI-DUMPING: CASES INITIATED (JULY TO JUNE) | 83-84 | 84-85 | 85-86 | 86-87 | 87-88 | 88-89 | 89-90 | 90-91 | 91-92 | 92-93 |
|---|---|---|---|---|---|---|---|---|---|---|
| Australia | 70 | 63 | 54 | 40 | 20 | 19 | 23 | 48 | 76 | 61 |
| Canada | 26 | 35 | 27 | 24 | 20 | 14 | 15 | 12 | 16 | 36 |
| EU | 33 | 34 | 23 | 17 | 30 | 29 | 15 | 15 | 23 | 33 |
| US | 46 | 61 | 63 | 41 | 31 | 25 | 24 | 52 | 62 | 78 |
| Other developed countries | 1 | 0 | 2 | 5 | 9 | 12 | 5 | 9 | 21 | 8 |
| Developing countries | 0 | 0 | 3 | 4 | 13 | 14 | 14 | 41 | 39 | 38 |
| TOTAL | 176 | 193 | 172 | 131 | 123 | 113 | 96 | 175 | 237 | 254 |

Source: Gatt

According to a recent World Bank study, average tariffs in the US manufactured goods sector would be 23 per cent today, compared with a nominal level of less than 6 per cent, if they were adjusted to account for the impact of dumping duties on imported steel, textiles and cars – the industries most affected.

As the number of dumping actions initiated has risen steeply since 1988, so an increasing number of countries have introduced their own anti-dumping laws - and have proven willing to use them. India and Japan initiated actions in 1992 for the first time.

Developing countries, which until 1985 had never initiated dumping action, have initiated around 40 a year for the past three years. Significantly, the US was the target of 20 dumping actions in the year to June 1993 - overtaking Japan (the target of just 13 actions), which is so often seen by the US as a leading "dumper".

In January this year, Mrs Carla Hills, the outgoing US trade representative, asked the International Trade Commission to study the net impact of dumping actions on US industry.

Her successor, Mr Mickey Kantor, has since reversed the request, but not without prompting questions on whether the higher import costs arising from dumping duties damage the competitivenes of US companies.

This has not prevented supporters of domestic anti-dumping policy from mounting a fierce defence of the existing regime, and an effective campaign pressing the US administration to lengthen its list of proposed changes to the intended Uruguay Round agreement.

In the House Ways and Means committee three weeks ago, Mr Eric Garfinkel, a leading Bush administration negotiator on the Uruguay round anti-dumping text, attacked the draft as "highly political", and "not a balanced or well-reasoned document".

He detailed the need for various amendments, which seem likely to appear in the list presented to negotiators today. These include:

● Scope and standard of review: the US fears the draft will allow Gatt panels to revisit the facts presented in a domestic dumping inquiry, rather than examine whether laws had been fairly applied.

● Circumvention: the US says the draft will allow offending countries to side-step dumping duties by shifting production to other countries. It wants the power to put duties on "like goods" being exported to the US from third countries without fresh investigation.

● Sunset: the proposed draft says a dumping duty will expire after five years unless a review shows dumping is still occurring. The US objects to the need for fresh proof of dumping. Over 30 of the 268 dumping duties currently in effect in the US have been in place for more than 20 years.

● Start-up: particularly relevent to high-technology industries, the US objects to rules which would allow companies to charge prices that are below true production cost during the start-up period before full economies of scale have been achieved. It wants the length of start-up to be defined

● De minimis: the Uruguay round draft would block dumping inquiries if the effective dumping margin were less than 2 per cent, or if the volume of dumped product - and injury to domestic competitors - is "negligible", defined as less than 1 per cent of the domestic market.

● Standing: only governments are entitled to bring a dispute to Gatt under the present draft. The US wants non-government bodies to be able to bring actions - notably trade unions or environmental groups.

The list of proposed amendments was promised for last Wednesday. Successive postponements have frustrated other negotiators, and added to the prickly array of outstanding issues that must be resolved by December 15 if a Uruguay round package is to be completed successfully.

# Japan to offer rice compromise

By Emiko Terazono in Tokyo

Japan is likely to present its official proposal to open its rice markets after the US and the EU manage to reach an accord on agriculture on the Uruguay Round.

A senior Japanese government official told Japanese reporters yesterday: "Japan is involved in negotiations to prepare a plan it deems acceptable."

Until now, the government has been reluctant to reveal that it was under talks over the lifting of its rice ban.

Japan is likely to put forward officially a compromise plan under which it will accept rice imports of 4 to 8 per cent of its domestic consumption for six years, and reach a decision over tarification of its rice market in 1999.

The government wants to appease domestic opposition to opening the rice market by leaving a decision up in the air, and it is unclear whether such a proposal would be acceptable to its trade partners.



## CONTRACTS & TENDERS



## COMPANY NOTICES

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In accordance with the provisions of the Notes, notice is hereby given that for the interest period from 24th November, 1993 to 24th February, 1994 the rate of interest on the Notes will be 5.3125% per annum. The interest payable on the relevant interest payment date 24th February, 1994 will be £133.90 per £10,000 Note and £1,339.04 per £100,000 Note.

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In accordance with the terms and conditions of the Notes, the interest rate for the period 24th November, 1993 to 24th February, 1994 has been fixed at 5.50625% per annum. The interest payable on 24th February, 1994 against Coupon 16 will be £138.79 per £10,000 nominal and £1,387.88 per £100,000 nominal.

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In accordance with the terms and conditions of the Notes, the interest rate for the period 26th November, 1993 to 28th February, 1994 has been fixed at 3.75% per annum. The interest payable on 28th February, 1994 will be U.S. $9.791666 per U.S. $1,000 nominal.

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## LEGAL NOTICES

IN THE MATTER OF
JIMMY THOMAS MEDICAL PRESS (CYPRUS) LIMITED
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IN THE MATTER OF
CYPRUS COMPANIES LAW CAP 113

NOTICE IS HEREBY GIVEN that the creditors of the above-named company which is being voluntarily wound up are required on or before the 25th day of December 1993 to send in their full names, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned Mr Antony Haji Roussos FCCA of Julia House, 3 Themistocles Dervis Street, PO Box 1612, Nicosia, Cyprus, the liquidator of the said company, and if so required by notice in writing from the said liquidator, are debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

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# Unionist veto hangs over NI peace move

By Philip Stephens and David Owen

The Ulster Unionist leader Mr James Molyneaux urged Mr John Major yesterday to drop his search for a comprehensive constitutional settlement for Northern Ireland in favour of a a new Ulster assembly.

Mr Molyneaux, who holds an effective veto over the prime minister's efforts, said the groundwork for all-party talks on devolved government could be completed in two weeks.

Resumed talks should focus on the creation of the 85-seat legislative assembly – the model for which was drawn up in abortive talks last year.

In an interview with the Financial Times, Mr Molyneaux said there was "a fair chance" that Mr Michael Ancram, the Northern Ireland minister, would be able "within a week or two" identify common ground between the province's political parties.

Despite the latest setbacks, Downing Street signalled Mr Major's determination to press ahead with his efforts to find a settlement by establishing a group of senior ministers to oversee policy.

But Mr Molyneaux said the Major-Reynolds initiative was doomed to failure. Dublin would only give up its constitutional claim to Northern Ireland in return for "something which has the same effect as the territorial claim."

Asked if they should break off negotiations, he said: "It's futile, isn't it, because unless they could get agreement to something which was as significant and acceptable to the IRA as joint authority leading on to Irish unity then it is not going to make any difference to the so-called peace process".

He said Dublin's proposals would put in place "a structure that would bring about the unification of the national territory." The draft paper had "all the designs and a good many of the paragraphs" of the initiative launched by Mr John Hume, the leader of the mainly Catholic SDLP, and Mr Gerry Adams, president of Sinn Féin. He described Hume-Adams as a "fiendishly clever operation" to secure Irish unification.

● A large consignment of weapons and explosives bound for Ulster terrorists was seized by Customs officers at Teesport yesterday. The loyalist Ulster Volunteer Force admitted that the shipment had been destined for them.

The shipment, from Poland, contained more than 300 AKM assault rifles, and was the biggest haul of weapons destined for terrorists seized in Britain.

# 'Phoney war' heralds start of ITV restructuring

By Raymond Snoddy

Britain's National Heritage secretary Mr Peter Brooke yesterday launched a "phoney war" for the future of independent television by proposing that each ITV company can own two large regional licences – but not yet.

The big potential ITV predators sat on their hands and waited for the first move in the restructuring of ITV.

The surprising lack of activity, with most ITV shares moving up only a few pence, was caused by the need for both Houses of parliament to approve the change and investor fears that many ITV companies are already highly priced following takeover speculation.

In London the weekday and the weekend broadcasting licence must continue to be held by two separate companies.

Arguments that Scottish Television and HTV, the ITV company for Wales and the West could be protected from takeover from other large ITV companies were rejected.

The government also rejected pleas from newspaper publishers to be able to own more than 20 per cent of an ITV company but promised to keep both ownership restrictions under review.

A number of ITV companies issued bullish statements. Mr Leslie Hill, chairman of Central, whose share price shot up from 2093p to 2170p, said he was confident that the company would now be able to achieve its ambition of becoming one of Britain's leading international players.

Carlton, which already owns 20 per cent of Central is widely expected to pounce when the time is right.

Meridian Television said the changes would allow the company to expand in the broadcasting market. Meridian's natural target is Anglia Television – if the price is not too high.

Granada, which owns 20 per cent of London Weekend Television, is expected eventually to launch a takeover bid against the London company.

The fact that the government has decided to set a maximum limit of two licences makes it very unlikely that anyone will tackle financially troubled Yorkshire-Tyne Tees, or acquire any of the five smallest companies such as Grampian or Border. By doing so they would forfeit their chance of acquiring a large licence.

British Film Institute

Fourteen bottles of Scotch whisky, part of the cargo of the SS Politician, which ran aground in the Outer Hebrides off Scotland in 1941, sold for £11,462 at Christie's in Glasgow. The wreck of the Politician inspired Sir Compton Mackenzie's novel Whisky Galore. The 1949 film, pictured above, immortalised the story of the thirsty islanders who plundered the wreck and thwarted officialdom

# BT cuts cost of fraud calls to head off rivals

By John Gapper, Banking Editor

British Telecom has reached a deal with banks and credit card companies to halve the cost of electronic fraud checks on card purchases. BT was warned that it might otherwise lose business to Mercury, or US telecommunications companies.

Mr Peter Macleod, BT's sales director, said yesterday that BT believed it could reach similar deals discounting price in return for higher volume in other corporate markets. He said BT had responded rationally to competitive pressures.

BT has agreed a new pricing structure with credit and debit card companies for "on-line" verification of transactions that cuts prices in return for higher volumes. It could save banks a total of about £25m annually within three years.

The more on-line checks made by a bank, the less it will be charged per call. Seven banks process transactions, and they were in talks along with the Visa, Switch, Diners Club, American Express and Mastercard groups.

BT said that it could not disclose the new prices because individual contracts were now being discussed with banks. But banks said the cost per call would fall to between 2.5p and 3.5p next year, and to between 1.9p and 2.9p by 1996.

BT has established a new network called 0800 Cardway Dial to handle the calls. "I think we have stolen a march on AT&T (the US telephone company) and Mercury. No doubt they will respond in due course," said Mr Macleod.

Mr Mervyn Gibson, Visa's director of interbank processing, said banks had co-operated because of the growth in card fraud. "That galvanised them. If it had not been for fraud, they would have just haggled by themselves," he said.

About 200m checks are expected to be carried out this year, which is only about a fifth of card transactions. Banks think the share of transactions checked could rise to 45 per cent by 1996, giving an annual volume of 1bn calls.

Banks have blamed the high costs of calls for the fact that relatively few purchases have been checked up to now. Some 90 per cent of card transactions are authorised in the US, and all Visa purchases there will be checked from next May.

BT faces competition for domestic corporate services from Mercury, and AT&T is also attempting to gain a licence to compete in the UK.

Banks have become worried about fraud in recent years because it has grown rapidly. Fraud cost the industry about £165m last year, but the figure is expected to fall at least 10 per cent this year because of added security. BT is currently negotiating with banks, and has offered to introduce lower charges in time for Christmas when about 20m transactions are authorised.

# Groundsmen told how to deal with diehard fans

By Jim Kelly in London and Frank McGurty in New York

The passionate devotion of English football fans to their clubs appears to have survived the national team's exit from the World Cup. In fact it appears to survive beyond the grave.

An article in FC, the trade magazine for football clubs, reveals that large numbers of supporters are having their cremation ashes spread on the pitch at their local club.

The discouraging news for groundsmen is that this can be bad for the grass. A useful tip is to sprinkle ashes upwind, away from the playing area.

David Conn, the author, believes that he has discovered a mathematical relationship between a club's average attendance and the number of fans seeking immortality on the field.

Manchester United, for example, attract 40,000 fans to home games and estimate that between 20 and 25 people have their ashes sprinkled at Old Trafford every year.

In contrast Bolton Wanderers attract 8,000 and about four times a year a fan is allowed to cast caution to the wind at Dean Court.

Mr Conn concludes that every 2,000 regular supporters produces one a year who seeks a more permanent relationship with their favourite club than a Saturday afternoon visit.

Liverpool, FC says, tries not to refuse any requests but adds that space is running out. Arsenal does not like scatterings but allows urn burials on the sidelines.

At Manchester United the sprinkling is accompanied by a service. At Manchester City relatives are welcome to return to pay their respects at any time.

Paris St Germain, current leaders of the French First Division, can recall only one request from a fan asking if he could have his ashes spread on the pitch. He never rang back but the club hopes he is still alive.

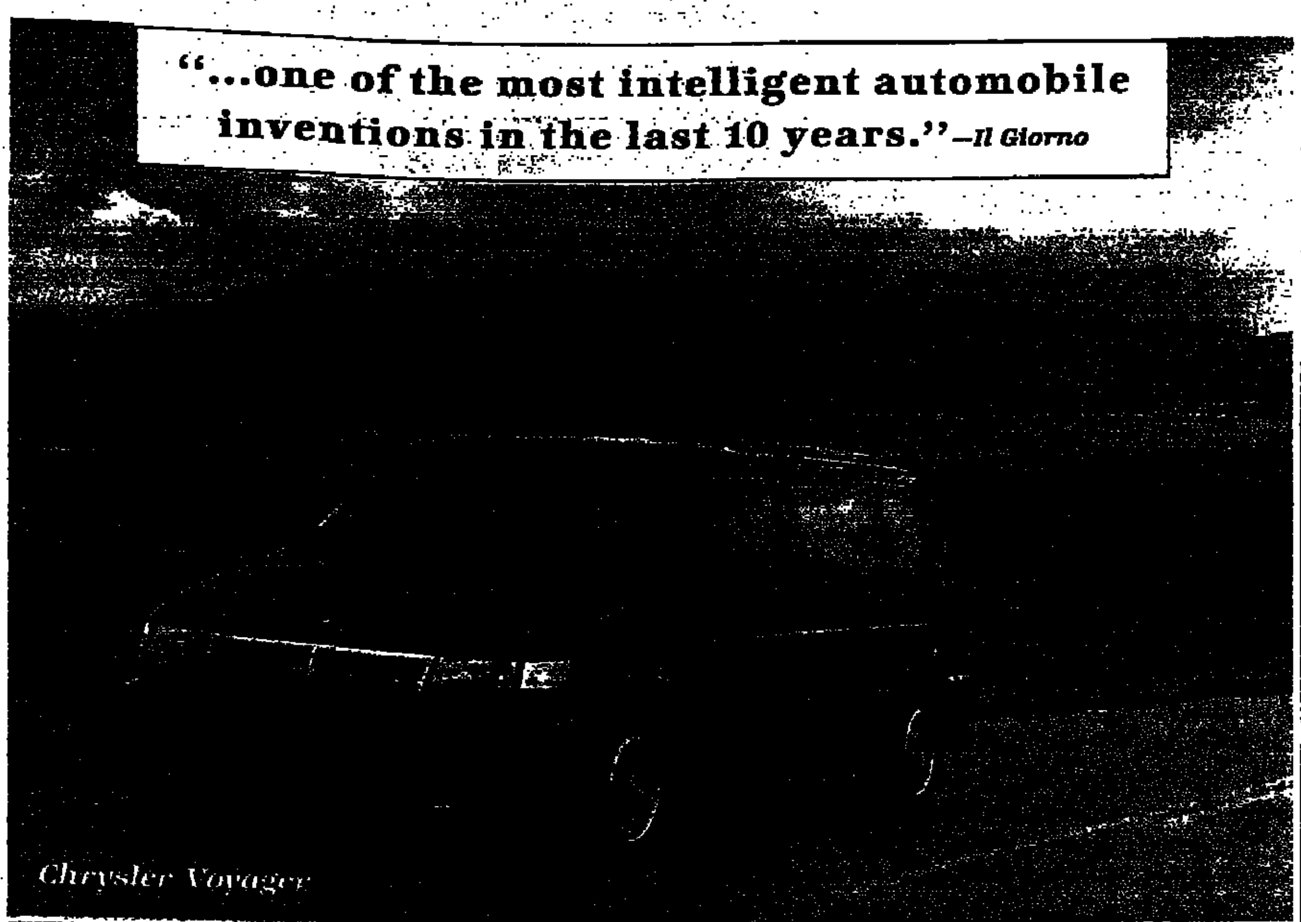
In the US, the devotion of baseball fans does not yet seem to extend to the hereafter. Mr Rich Levin, a spokesman for Major League Baseball, the organisation representing the 28 top professional teams, said he had never heard of such a request.

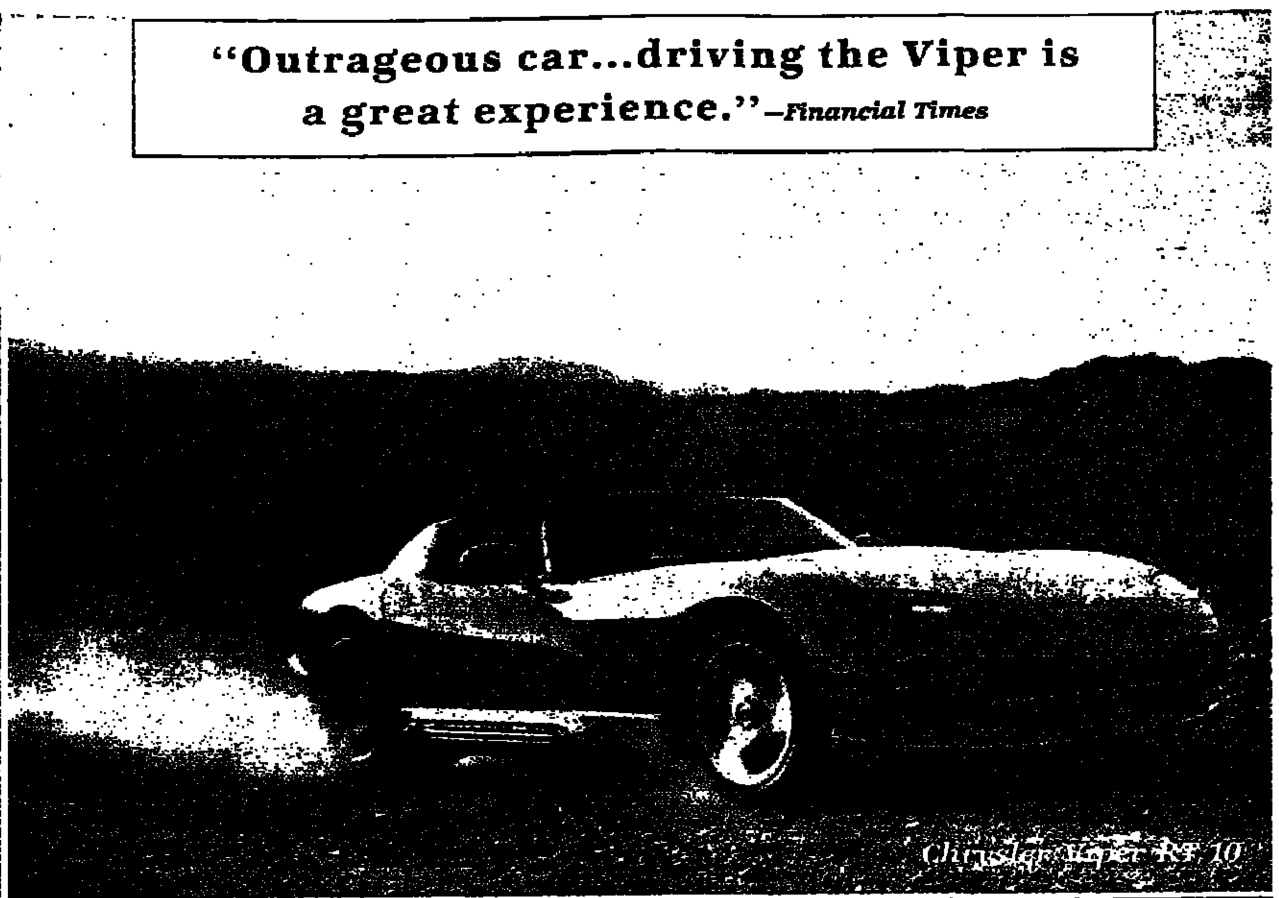
Jay Horowitz, director of media relations for the New York Mets, said that, in his 15 years with the club, no supporter had asked for his remains to be scattered on the field at Shea Stadium.

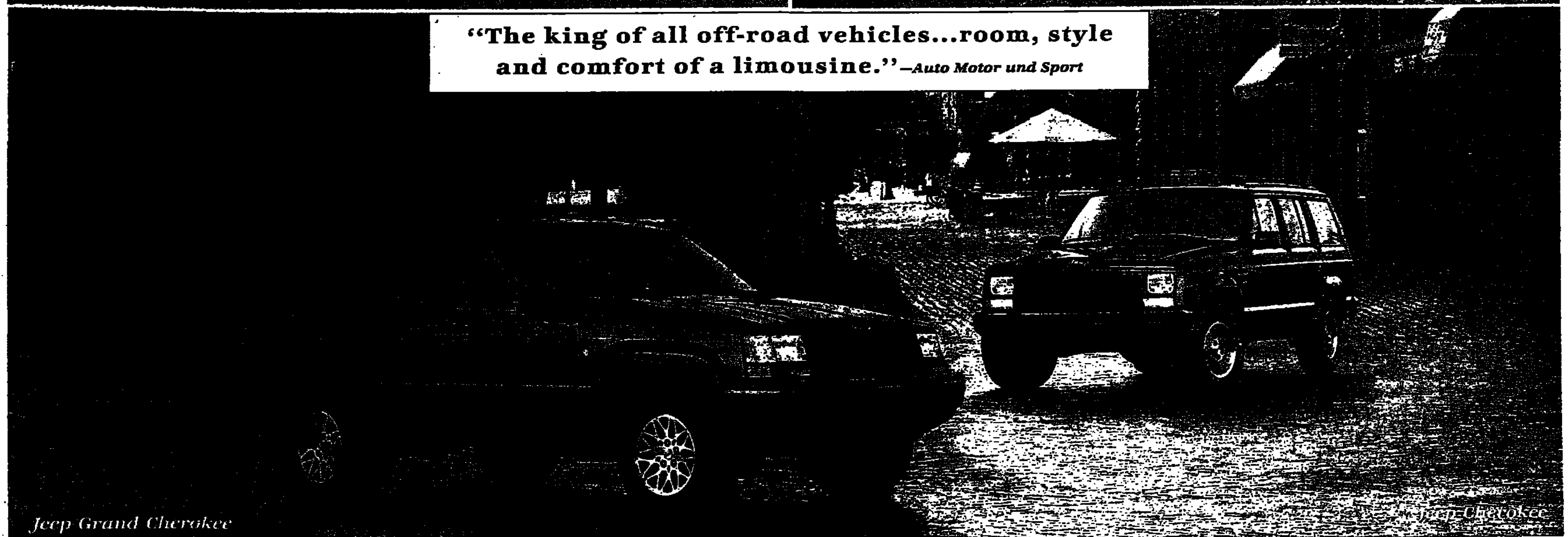
But not everyone feels it is necessary to ask permission. Last month, when the friends and family of a deceased Boston Red Sox fan decided to comply with their loved one's request to have his ashes scattered at Fenway Park, they simply joined a guided tour of the stadium, a shrine of America's national pastime.

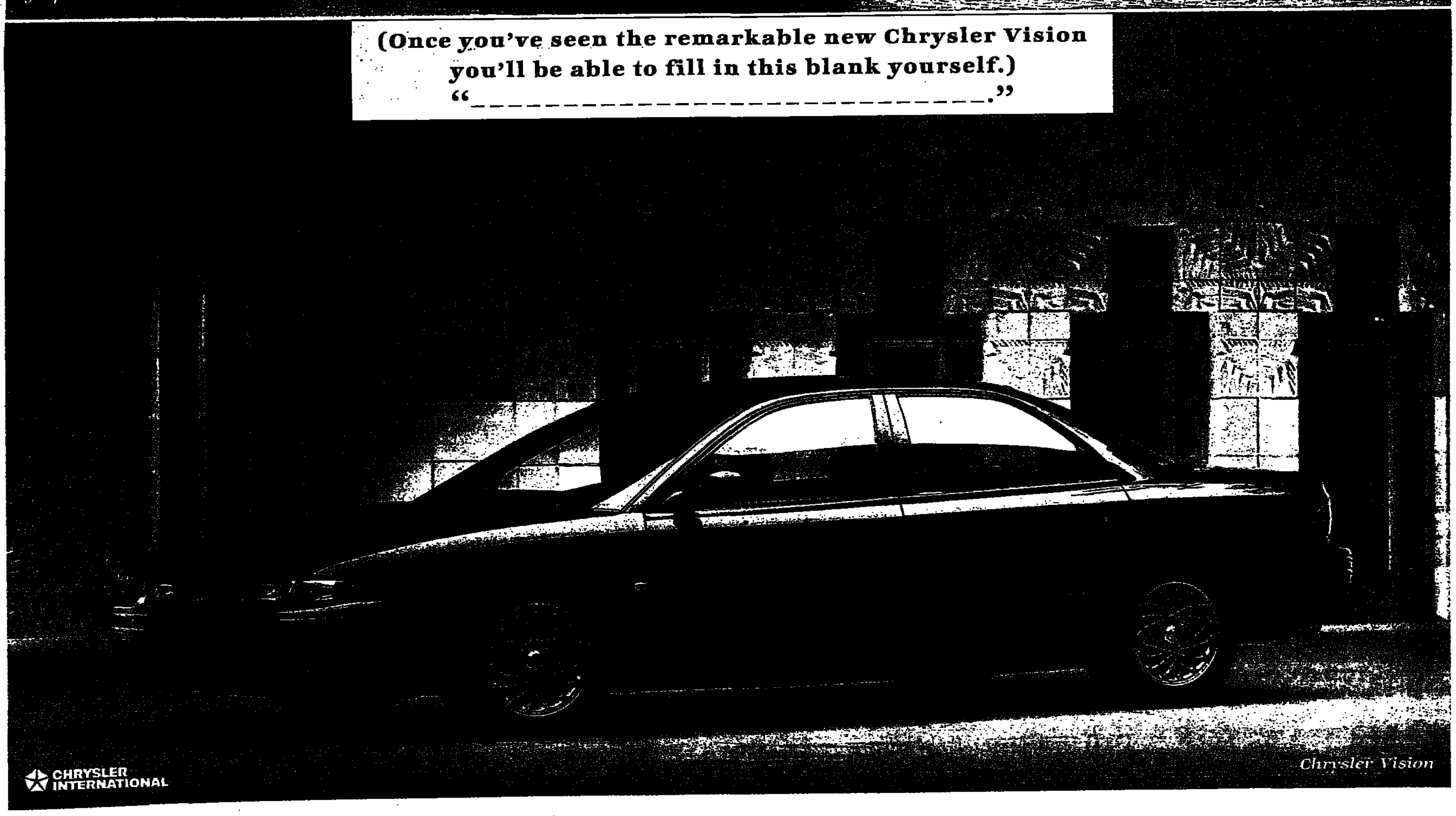
Each of them, according to the Boston Globe, carried some ashes in their pockets and gradually sprinkled his remains in the dugouts, in the stands, in the locker rooms, even in the bathroom.

Last April, on the opening day of the season at hallowed Wrigley Field in Chicago, a Cub fan sprinkled the ashes of his late cat, Cubby, over the wall near the bullpen.




If you'd like some professional examples to guide you, they do exist. *Le Figaro* says that the Vision is "a 'tour de force' from Chrysler's designers." *Auto Bild* simply calls it "one of the best cars in the world."

Their enthusiasm is understandable. With its new cab forward design, the Vision combines the nimbleness of a sports sedan, the roominess of a touring car and the safety of driver and front passenger air bags. We think that the Vision is the perfect addition to Chrysler's family of distinctive vehicles. And clearly, we're not the only ones who think so.

**CHRYSLER**
*Built to set you free.*

# Security services face scrutiny over spending

By John Willman, Public Policy Editor

Next week's Budget will for the first time include details of the spending incurred by the UK's intelligence and security services, the government announced yesterday.

The move was disclosed with the publication of the Intelligence Services Bill containing measures to open Britain's secret services to scrutiny by a committee of six parliamentarians.

In his first appearance at a press conference, Sir Colin McColl, the head of the Secret Intelligence Service (MI6), said that he welcomed greater openness about the service's work in gathering intelligence overseas. It was important for his staff and for people who helped them to know that the government remained committed to the service after the end of the cold war.

However, Sir Colin said that he would prefer not to take a higher public profile, or have his photograph published in the same way as Mrs Stella Rimington, head of the Security Service (MI5) which is responsible for counter-intelligence work inside the UK.

"When the Central Intelligence Agency went open in the 1970s, it worried a lot of their people. I want to send our people a signal that we are not going to open everything up," he said.

Public expenditure plans for the next three years will include estimates of the aggregate budget for MI5, MI6 and Government Communications Headquarters, the electronic eavesdropping organisation based at Cheltenham. Separate figures will not be published in case this alerts opponents to shifts in emphasis. For the first time, the services' budgets will be open to scrutiny by the National Audit Office, parliament's financial watchdog.

The new Intelligence and Security Committee will be appointed by the prime minister from among MPs and peers, following consultation with the leader of the opposition. It will examine the expenditure, administration and policy of the services, but not operational matters.

The committee will present an annual report to the prime minister which will be laid before parliament.

All three services will be subject to similar requirements for obtaining warrants to enter or interfere with property or intercept communications. A new commissioner will review warrants and authorisations and report annually to parliament.

# Iraq exports 'had lower priority' official says

By Richard Donkin

The senior government official responsible for Britain's export controls prior to the Gulf War admitted yesterday he was more concerned with the antiques trade than equipment used to build up Iraq's military regime.

Mr Eric Beston, head of the Department of Trade and Industry's export control branch from 1985 to 1990, said he had greater priorities than exports to Iraq.

Much more of his time, he told the Scott Inquiry into arms for Iraq, was taken up on antiques and heritage issues that involved "large expensive things owned by rich and powerful people."

He said: "Throughout this period there were what, at the time, seemed much bigger issues."

Earlier, the hearing was told that officials who could have intervened to stop machine tool exports to Iraq were barred from seeing vital intelligence material because of delays which occured in security vetting.

In some cases, according to Mr Beston, it took as much as seven months to carry out positive vetting on officers who needed access to security reports.

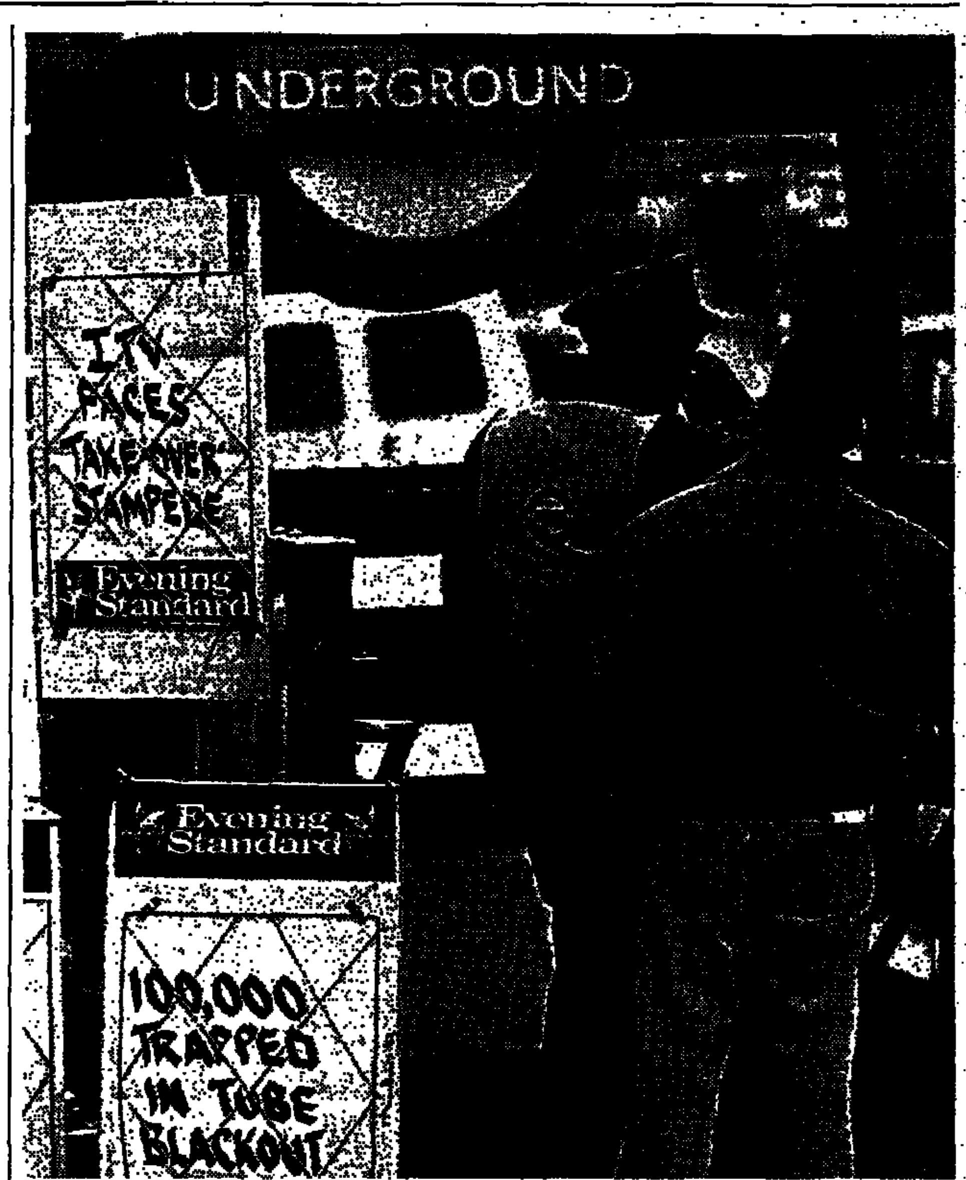
Mr Beston, who did have security clearance, was unable to explain why he had not seen crucial intelligence documents that outlined the munitions use of three proposed machine tool exports for Iraq.

Mr Beston said that not all of his officials would have been able to see the report.

He told the inquiry that one of his senior officers, Mr Tony Steadman, had not had access since his positive vetting was not completed until the January after he joined the department in May 1987.

Lord Justice Scott suggested that, given that export licence applications for Iraq had been in the system since May 1987, it was not clear to him that the intelligence report would have caused alarm in the DTI.

He said: "It set off no alarm bell at all in your department. Your department, so far as I can see, would have done nothing had not defence intelligence on January 6th required action to be taken on it."




London Underground said yesterday 20,000 passengers had been trapped on board trains after a massive power cut disrupted morning rush-hour services. All had been safely evacuated but it was believed some people had been stuck in trains for up to three hours and had to walk along unlit tunnels to get out. At one point, up to 25 tube trains were stuck in tunnels and a number of stations were shut. The scale of the breakdown prompted calls from business organisations, the rail unions and retailers for more government spending on the hard-pressed underground system.

# Mugging cover for tourists

By Michael Skapinker, Leisure Industries Correspondent

Attacks on British holidaymakers in Florida and France have persuaded Accident & General that it is time to introduce an insurance policy compensating travellers who are mugged.

The policy, which the company says is the first to offer such compensation, is being sold through the National Association of Independent Travel Agents, whose 350 members have over 600 retail outlets.

Benefit is only payable to victims who end up in hospital, who can claim £100 for every 24-hour stay, up to a maximum of £1,000, according to Accident & General. Claimants will have to provide a police report proving they were attacked.

Accident & General said many travel insurance companies offered payments to holidaymakers who ended up in hospital. The mugging cover differed from these in that the compensation offered was higher.

If Accident & General clients are hospitalised due to illness or accident, they can usually claim only £10 a day up to a maximum of £300.

The company said it was offering the mugging policy to meet consumer demand after recent attacks on holidaymakers.

"It's a recognition of what's been happening in the marketplace," the company said.

Mr Bob Clark, insurance products manager at Thomas Cook, the travel agents' chain, said few policies offered more than £20 for each day in hospital or £600 in total.

Mr Clark questioned the thinking behind the new policy. "Muggings are few and far between and the first thing you should do when asked for your money is hand it over," he said.

## Britain in brief

### Valleys aid plan 'failed' to save jobs

The value of the initiative launched by the government in 1988 to regenerate the south Wales valleys is cast into doubt by a report.

It shows manufacturing employment in the area has fallen faster than in Wales as a whole and that for every factory opened, almost two have closed. The first five years of the programme saw public funding by the government and European Community of £770m. A second five-year programme was launched in April with grants increased to £850m a year.

### Data code not used by 30%

An estimated 200,000 to 250,000 computer or data users should have registered with the Data Protection Register under the terms of the Data Protection Act but only 150,000 have done so. This means that a third of data users may be using personnel information illegally, Mr Eric Howe, the Data Protection Registrar told a select parliamentary committee of public accounts. The Act requires those who hold information about people to register details of their activities with the registrar. Failure to do so can result in a fine of £5,000 in lower courts and an unlimited fine in higher courts. The Act also gives individuals the right to examine data held about them in a computer system.

### New approach to treat Aids

A possible new approach to Aids treatment has emerged from laboratory tests at St Bartholomew's Hospital, London, of a drug being developed for cancer. Scotia, a pharmaceutical company, said that its anti-cancer compound EF13 killed white blood cells infected with HIV. The drug did not harm uninfected cells; indeed it made them more resistant to future HIV infection. The next stage will be to organise clinical trials for EF13 as an Aids drug, which could take several years. EF13 is one of many candidate drugs showing activity against HIV in the test tube.

### Creditors to get 90% back

Investors and creditors of Edington, the Manchester merchant bank which went into administration in April 1991, are likely to get more than 90 per cent of their money back. Mr Philip Ramsbottom, joint administrator and head of corporate recovery at KPMG Peat Marwick's Manchester office, will pay another 11p in the pound before the end of this month. The distribution, worth £3.1m, is the fourth, and brings the total paid so far to £24.2m, or 85p in the pound.

### Steel complaint against Europe

The British steel industry could collapse with the loss of up to 120,000 jobs if government action is not taken against other European countries who heavily subsidising their own steel industries, a conference of 24 local authorities in steel producing areas were told. "We are the mugs of Europe", said Mr Keith Brookman, general secretary of ISTC steel union.

### UK carriers lobby on VAT

British Airways and British Midland Airways, the two leading rival UK carriers, showed a rare common front to lobby MPs at Westminster against the threat of the introduction of value added tax on domestic UK air travel in next week's budget. Sir Colin Marshall, BA's chairman, and Sir Michael Bishop, BMA's chairman, warned that VAT on air fares would have "disastrous and harmful effects" by undermining the current fragile recovery in the industry.

They claimed VAT would add around £40 to the typical return business fare and £20 to a typical promotional return leisure ticket.

# MANAGEMENT: MARKETING AND ADVERTISING

## Loud cries of protest

### As a new mother, Rachel Johnson reacts against the hard-sell tactics of the baby products manufacturers

For most mothers-to-be in the UK, the marketing campaign starts at 12 weeks, peaks shortly after delivery and then never seems to end.

On the National Health Service, women book into a hospital when they are about three months' pregnant. After blood tests and consultation with a midwife they are given a red plastic folder containing two items: a card detailing further appointments and a "Bounty Pregnancy Guide".

No less than a third of the pages of this glossy booklet, which declares it is written with the help and advice of members of the Royal College of Midwives, feature the sort of sickly advertisements that could only be found in a specialist publication.

Take the first few. "No job's too big for Baby Fresh," says the baby-wipes manufacturer; "Come on, push, push, push, push, push," runs the text accompanying a picture of a Mothercare buggy. "I want to be the best mum in the whole world," says the Prudential in its drive to sell products to make baby more financially secure in the future.

Months later, the newly-delivered mother lies in her hospital bed snatching a few moments of rest between visiting hours. A trolley laden with large sealed gift bags, pushed by one of 260 distributors from Bounty, the Diss-based publishing and services company that charges mother-and-baby companies a fee for joining its syndicated sampling service, is making the rounds.

If the woman accepts the assortment of Pampers nappies, Drapolene nappy cream, baby bath and other goodies without filling in a card saying she does not want to receive "further free samples and product information", she goes on a list.

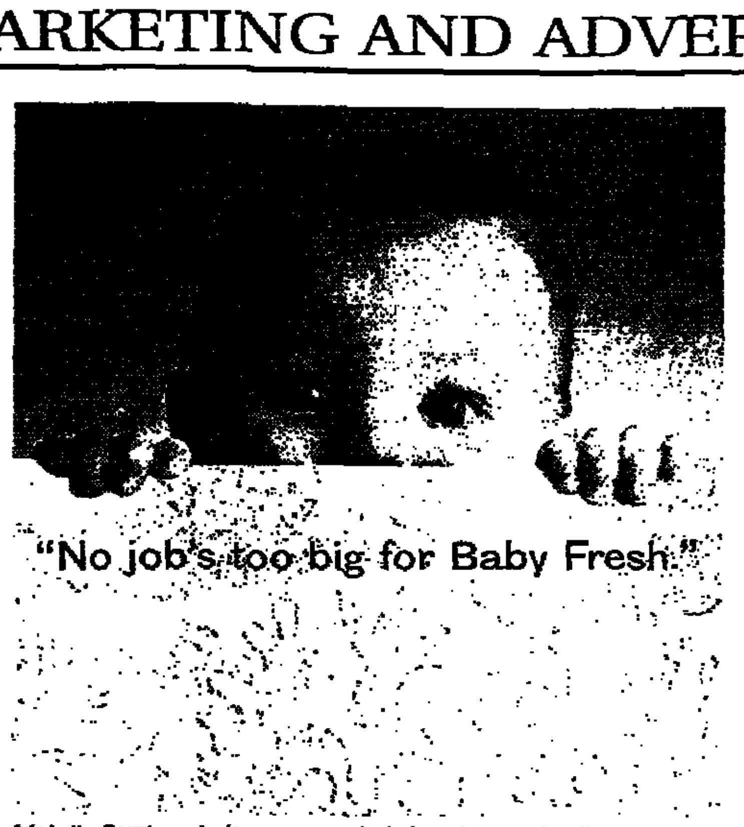
For Bounty is at liberty under the Data Protection Act to put her name on its database, to sell on to the large number of companies hungry to tap into the baby products market – worth £1.5bn in 1990. Paul D'Inverno, publications director of Bounty, claims his company is the only one with a nationwide spread; neither competitor, he mentions, Newborn or Lifecycle Marketing, has contracts with hospitals.

Everyone is subjected to advertising from cradle to grave, not just pregnant women and new mothers. But advertisers do seem to reserve a peculiar intensity for these groups. "Heinz carefully markets its baby food to parents to make sure they get the information they need and want," said a Heinz spokesman.

And Bounty's business, advertising mother and baby products, is perfectly legal – though some might say that women are exhausted and distracted by the free samples at the one opportunity they are granted to avoid an avalanche of direct mail over the coming months.

Even so, many expectant or recent mothers will agree with Cathy Irons, the business manager of maternity services at St Mary's Hospital in London. She says that such women are particularly "vulnerable to advertising from all sides".

There are at least two reasons for this. First is the natural urge to be the perfect mother, exactly the button the Prudential pushed in its financial services advertisement. At the same time, first-time mothers have little idea which of the myriad products manufacturers insist they need buy to strive towards this perfection are useful, and which are expensive extras. In the past, for instance, objections were raised because the Bounty pack included sweet, syrupy drinks which could lead to tooth decay.



Ads in the Bounty pack play on a woman's desire to be a good mother

Philippa Need of the National Childbirth Trust says: "You are made to feel everything is so essential. But a baby bath, for example, is a complete irrelevance."

According to the Health Visitors' Association, women spent on average £1,050 in 1990 on clothes and equipment in the first year. At the same time, one in four of these had been means tested to receive the £100 state maternity grant.

Christine Gowdridge of the Maternity Alliance, which provides advice on maternity care and state benefits, says it is not uncommon for a woman to spend heavily on a new pushchair or steam steriliser to find she cannot afford the basic nappies and babyclothes. "It's all too easy to succumb to well-targeted adverts," she says.

BT is just one of the 100 companies that bought Bounty's list of new mothers earlier this year. I was on it. In April, Bounty sent me – on behalf of BT – a glossy leaflet promoting mobile telephones and answering machines. "Now that you're a new mum, you can't drop everything every time the 'phone rings, can you?" it wheedled, next to a picture of a dressing-gowned woman cradling a rosy-cheeked baby. I binned it with a practised flick.

## A mixture of messages

### A survey of agencies reveals optimism and uncertainty about the future. Diane Summers reports

The events of one day last month summed up the currently mixed messages coming from UK advertising agencies about prospects for business.

Abbott Mead Vickers reported a slight drop in its pre-tax profits for the first half of the year, although chairman David Abbott said he saw signs that "widespread cutbacks in client spending seem to be a thing of the past". The group felt "considerable optimism" as it looked forward to 1994, he added.

A few London streets away and on the same day, agency Gold Greenlees Trott issued a warning that profit forecasts by the City for the year ending next April were over-optimistic. This was because the recovery in both advertising and sales promotion had been slower than anticipated. The result had been the deferral and reduction of spending by a number of clients, said GGT.

The same mixed messages come from the latest annual survey by accountants Touche Ross of advertising agency profitability in 1992.*

The past year has been one of "uncertainty, tentative optimism and ultimately disappointment," finds the survey. At the same time, there appears to have been an encouraging halt in the long-term decline of operating margins and operating profits are beginning to increase.

The firm's latest annual survey is based on the results of the top 50 agency groups by billings. The combined pre-tax profits of the groups were wiped out by Saatchi and Saatchi's £600m write-off of goodwill, following the group's decision to acknowledge there had been a "permanent diminution" in the value of goodwill on earlier acquisitions. Ignoring Saatchi's write-off, average profits fell 2 per cent on the previous year.

For the first time, the survey includes some international comparisons for the largest quoted groups. By most measures, the US-controlled groups outperform their European competitors. For example, operating profit margins of UK-based quoted companies averaged 6.7 per cent last year, compared with a 13.8 per cent average for the US companies.

The UK average, dominated as it is by the poor margins of Saatchi and Saatchi and WPP, masks the sound performances of Abbott Mead Vickers (15.5 per cent) and Gold Greenlees Trott (12.4 per cent), points out Touche Ross.

An analysis of sources of profit from the published accounts of the largest quoted UK groups also shows that it has been more difficult in the past year to make profits in the home market than abroad.

While there was no real growth in the UK in 1992, markets in Germany, Austria, Portugal, Belgium and Greece grew by between 8 per cent and 40 per cent.

Profits from US operations outshone those for the rest of the world.

Redundancy and reorganisation have again been a feature of the year, finds the survey.

The top 50 agency groups have reduced the number of staff they employ by 5 per cent over the 12 months. An examination of those agencies which have retrenched shows that, overall, "biting the bullet can and does work. It is not, as many think, the beginning of a downward spiral", finds the study.

While the recession may have been the catalyst that has created the crisis for agencies, in many areas of activity it has merely focused attention on problems that have existed for some time.

Concludes Touche Ross: "The indications are that agencies have begun at last to tackle many of these problems. The many job losses and massive rationalisation costs testify that this has not been without pain."

**Tenth annual advertising agency profitability survey, edited by David Miles. Touche Ross, marketing services group, Hill House, 1 Little New Street, London EC4A 3TR. £150*

## Guinness's stout-hearted revolution

Four years after its launch, canned Draught Guinness is firmly established as the most successful new product introduced in the UK beer industry for more than a decade.

More than 250m cans – fitted with the widget that gives the stout a taste and appearance close to that of a bar-room pint – have been sold since 1989. This month, Sweden became the 51st country to import the product. It is a bestseller in markets from the US to Hong Kong.

In the UK, Guinness's innovation has not only been good for the company, it has revolutionised the take-home beer market.

The difficulty of replicating the characteristics of draught ale and stout in bottles or cans helped lager achieve even greater dominance of the take-home sector – where it accounts for nearly two-thirds of volume – than of pub beer sales.

The Guinness in-can system, which won a Queen's Award for Technology in 1991, has changed that. Work on the project began in the mid-1980s when the company revived the image of its draught stout to make it more appealing to younger pub-goers.

"We thought how wonderful it would be if we could also make it more appealing to take-home drinkers," says Brendan O'Neill, managing director of Guinness Brewing Worldwide. "Being a brewer which does not own pubs is a great incentive to innovation."

More than 100 methods were tested. The researchers even tried pouring the beer through nylon stockings and from a can with a spout lined with sandpaper. Five years and £5m later, they found the answer: a plastic chamber, with a minute hole, fixed at the bottom of the can.

During filling, some beer is forced into the chamber under pressure. When the can is opened the beer surges out, creating the bubbles that form the creamy head.

Guinness discovered that the system worked equally well in a can of ale – and promptly launched its own brand of canned draught bitter.

Other national brewers rushed to develop their versions of the Guinness widget. Whitbread, having failed to persuade Guinness to license its system, developed its own system for canned Boddington's bitter and Murphy's Irish Stout. It has recently been extended to Flowers and Castle Eden ales and to Marston's Pedigree bitter. Courage has launched its variation on the theme in canned draught John Smith's bitter, backing it with a £6m campaign. Carlsberg-Tetley has now launched canned Tetley bitter in the north of England.

The new canned beers – priced at least 20 per cent above the original packaged products – have given a further fillip to the take-home trade, already growing fast as drinking habits change under such influences as the drink-driving laws, ageing population and increasing home entertainment facilities.

Whitbread estimates the new draught-in-can stout and ale brands now account for 14 per cent of take-home beer sales by volume and 22 per cent by value. Their share of the sector is expected to double by 1996.

Guinness has demonstrated its confidence in the growth of the market for its stout by investing £30m in canning lines at Dundalk, Ireland and Runcorn, near Liverpool, where the facilities will be capable of producing 2m cans daily.

**Philip Rawstorne**

# PEOPLE

## BPB Industries anoints Cuny as future group chief executive

Plasterboard manufacturer BPB Industries, which parted company with its chief executive John Maxwell in September, has now promoted Jean-Pierre Cuny to the position of group deputy chief executive, as well as chairman of the gypsum division. He is expected to become group chief executive in due course.

In considerable contrast to Maxwell, who had no experience in the industry before joining the company in the spring of 1992, 53-year-old Cuny, who is a French citizen, has been with the group since 1977.

Cuny joined the main board in 1988 and has most recently been deputy chairman of the gypsum division, running gypsum interests in continental Europe, from his Paris base.

An engineering graduate of the Ecole Centrale de Paris and metallurgy post-graduate from MIT, Cuny now moves to London.

There his immediate task is to sort out the gypsum division as a whole and organise the succession, according to Alan Turner, BPB's chairman and chief executive.

"His promotion to deputy chief executive is intended to signal his stepwise progression. When he has got gypsum sorted out, he can raise his head and become chief executive," says Turner.

Turner declined to comment as to why Cuny was not deemed a suitable candidate for the chief executive seat before Maxwell was appointed.

## Whitbread stacks up

Keith Worrall, Sainsbury's director of grocery and non-foods buying, is to retire next July after 40 years of service with the company, during which it has grown from a chain of high street grocers to the UK's biggest superstore group.

He will be replaced by Robin Whitbread, currently marketing director, while Whitbread's place will be filled by Ivor Hunt, departmental director responsible for marketing services.

Worrall, 56, joined Sainsbury's statistical department in 1953 and held various positions in the trading departments before becoming departmental director for dairy and frozen food buying in 1986. He took over his present position in 1986.

Sainsbury's said there would be a phased handover before next July from Worrall to Whitbread.

Whitbread joined Sainsbury's in 1969 and rose to become departmental director responsible for marketing in 1983.

Four years later he was appointed to the board of Shaw's Supermarkets, Sainsbury's US supermarket chain. He was appointed to Sainsbury's board as marketing director in 1990.

Ivor Hunt, who will join Sainsbury's board next March, worked for Hawker Siddeley Aviation, and as statistical manager for AGB research, before joining Sainsbury's in 1971 as head of statistical services. He became departmental director for marketing services in 1987.

## Leigh Interests Bowden

Shaun Bowden, right, has been appointed chief executive at Leigh Interests, the waste management group, moving on from A.H. Marks, a private company specialising in crop protection products and organic chemicals.

Bowden, 46, had been chosen by Malcolm Wood, chairman and chief executive, who intended splitting the roles following the growth of Leigh Interests. Wood however barely had time to usher Bowden into the company before dying from a heart attack, aged 62, on October 29.

Paddy Custis, non-executive deputy chairman of Leigh Interests since 1982, is taking over as non-executive chairman. Custis says that since Bowden had the imprimatur of Wood the company has every confidence that the transition will be smooth; Bowden is starting work at Leigh on December 13.

Bowden is a director of the British Agrochemicals Association and was formerly a director of the Bradford & district training and enterprise coun-

cil. He has an MBA from Manchester Business school.

## GrandMet movements

Steve Marshall, Grand Metropolitan's investor relations director since 1990, will become finance director for the European division of International Distillers & Vintners, the group's spirits company, on January 1, 1994.

Marshall, a fellow of the Chartered Institute of Management Accountants, joined GrandMet in 1989 as corporate director, financial planning and control, after holding a series of financial posts with Burton Group, Black & Decker, and BOC Group. He will report to Colin Gordon, president IDV Europe.

Catherine James, business director of GrandMet Estates, the subsidiary which manages the group's property portfolio, will take over immediately as group investor relations director.

James, an Oxford economics graduate who has worked with the Thomson Organisation and Price Waterhouse, joined GrandMet in 1984 in its brewing division.

Two years later, she moved to GrandMet Estates, where she has held several senior financial management positions, including finance director.

## City teams shuffle packs

Smith New Court's Mike Unsworth, 44, who claims to be the longest-serving head of research of a major City broker, is moving into the firm's corporate finance team and handing his research baton over to Bruce Davidson.

Davidson, 38, has been following the conglomerate sector and, like Unsworth, joined SNC at the time of Smith Brothers' merger with the much smaller broker, Scott Goff.

The reshuffle coincides with another high-level defection from one of the City's most aggressive stockbrokers.

Alistair Buchanan, SNC's number one rated electrical utility analyst, has left to join BZW along with colleagues Tim Ancher and Daniel Martin.

It is understood that Buchanan had been offered the job of joint deputy head of research at SNC along with Richard Dale.

The departure of Buchanan and his team is a blow for SNC which is corporate broker to several well known utilities.

However, the firm has had little difficulty replacing other star analysts who have been poached by rival firms and expects to fill the gap left by Buchanan's departure.

Meanwhile, Ken Taylor, currently head of sales at SNC's agency operations, has been promoted to deputy managing director of UK agency and will have overall responsibility for the business when Paul Roy, managing director UK agency, is away.

Michael Davids has been appointed deputy managing director UK agency and will be primarily responsible for closer integration between the overseas and UK agency business.

Rennie McConnochie takes over as head of UK sales and Mark Pumfrey will be deputy head.

■ Robert Kretowicz, appointed md of corporate finance department of CHARTERHOUSE, moving from Chemical Bank.
■ Gary Jennison, appointed sales and marketing director and to the board of HITACHI CREDIT (UK).

## TECHNOLOGY

In a new series on advances in transport technology, **Andrew Fisher** examines developments in air navigation systems

# Aviation safety soars to new heights

**Safety in travel**

When you're strapped into your seat 30,000ft in the air, waiting for the hours to pass on an intercontinental flight, it might be reassuring to know that the aircraft's exact position is known to those on the ground. For much of its route, however, this is not the case, whether you are flying over land masses such as the Indian subcontinent or large tracts of water like the Atlantic and Pacific oceans. Radar stations cannot be planted all over Asia or across the seas and radio contact is limited and unreliable over vast distances.

For much of their journeys across the Atlantic, aircraft are out of contact as they fly between the radar stations on the Scottish and Canadian coasts. Pilots report their position by radio, but this can take time. Thus aircraft have to be kept far enough apart – 60 miles each side, 2,000ft vertically and 10 minutes' flying time behind each other – to ensure maximum safety.

But two things are happening which promise to change the world aviation picture: air traffic is expected to grow at around 6 per cent a year up to 2000, with aircraft movements set to double in Europe by 2010; and technology has advanced to the stage where computers and satellites can be used to pinpoint aircraft positions so accurately that separation levels could eventually be halved and more flights safely accommodated on the same routes.

Although the technology is available, this will not happen quickly. Governments, airlines and regulatory bodies have to agree on how and when it will be phased in – there is broad agreement on its desirability – and the air traffic management (ATM) systems have to be tested thoroughly. Airlines also have to decide the investment is worthwhile.

Aviation experts stress that the new satellite-based technology of automatic dependent surveillance (ADS), in which a stream of data is fed back automatically from the aircraft to the ground, is not aimed at increasing safety but at maintaining it, as more flights are allowed into the available airspace.

Flying is one of the safest forms of travel, although the spectacular nature of air disasters makes them especially frightening: the worst was a collision at Tenerife airport in the Canary Islands in 1977 which killed 582 people.

"The objective is to improve the efficiency of the airspace with no reduction in safety," says David Featherstone, air traffic services development manager at Inmarsat, the international satellite organisation.

"Safety is not at issue," agrees Michael Parry-Evans, ATM marketing executive at Siemens Plessey Systems, part of the Siemens electronics group. "There would be delays rather than any imperilling of passengers if air traffic control systems proved inadequate. The aim is to put in place a very viable transport infrastructure."

Today's infrastructure works, but is stretched and needs updating. Large areas of the world, such as India, Africa and parts of southern and eastern Europe, are poorly equipped with radar. In northern Europe, congestion can cause lengthy delays. Now, the development of high-powered computer systems, allied to the satellite network, has made it possible to plan for a new generation of equipment.

Ten years ago, the International Civil Aviation Organisation set up a committee on Future Air Navigation Systems (Fans) to look into the navigational needs of the next 20 years. It is under the auspices of Fans that ADS is being developed.

The satellites needed for ADS are in place. They cover four global regions and will – once ADS is introduced towards the end of the century – enable data to be sent digitally via satellite to a ground station and then into air traffic control centres. Those on the ground could follow an aircraft's track and direction based on the data – sometimes called "pseudo-radar" – being sent back. "It will make the controller's job a lot easier," says Featherstone.

Pilots, too, should benefit. Based on the satellite data, they could be given new flight paths to avoid bad weather or save fuel by keeping away from strong winds. Engine data could also be monitored.

ADS is basically a development of the in-flight telephone systems that airlines are introducing for passengers. Since the latest generation of ground-air communications allows telephone and data services to be combined, the instalment cost per new aircraft of up to $500,000 (£340,000) for each ADS unit and cabin equipment could be paid for by call charges.

That is what British Airways and its competitors hope. "We believe that to make satellite navigation successful and cost-effective for the airlines, we've got to bring a number of applications together," says Gerry Selves, BA's manager for flight technical projects. This means a combination of ADS, telephones and data transmission for passengers and airline use, and facsimile machines.

The UK's Civil Aviation Authority has taken an early lead in studying the value of ADS. Using a Boeing 747-400 from BA, it carried out extensive tests on a flight from Osaka, Japan, to London's Heathrow airport. Reports were sent back from the aircraft via satellite every 10 seconds, but the CAA expects the typical reporting period for North Atlantic flights to be every five minutes.

"The CAA has taken the initiative on this programme," says Leo Gallagher, commercial director of Racal Avionics which has co-operated with Honeywell of the US on Satcom, the leading aeronautical satellite communications system. "It is the first aviation authority in the world to grasp the nettle of ADS."

Other airlines such as United Airlines and Qantas are also studying ADS, in which Rockwell-Collins of the US is also a player, but all are cautious about investing at a time of economic uncertainty and stiff competition. They want to be sure of the savings ADS can bring by allowing them to fly the quickest routes and to avoid poor weather.

It is not only airlines which are under pressure to spend more money. Airport and traffic control authorities, too, are investing in high-performance systems to streamline the complex task of aircraft approaches, landings, takeoffs and manoeuvrings on the ground. "The drive in the short- to medium-term is for increasing sophistication of air traffic systems," says Siemens' Parry-Evans.

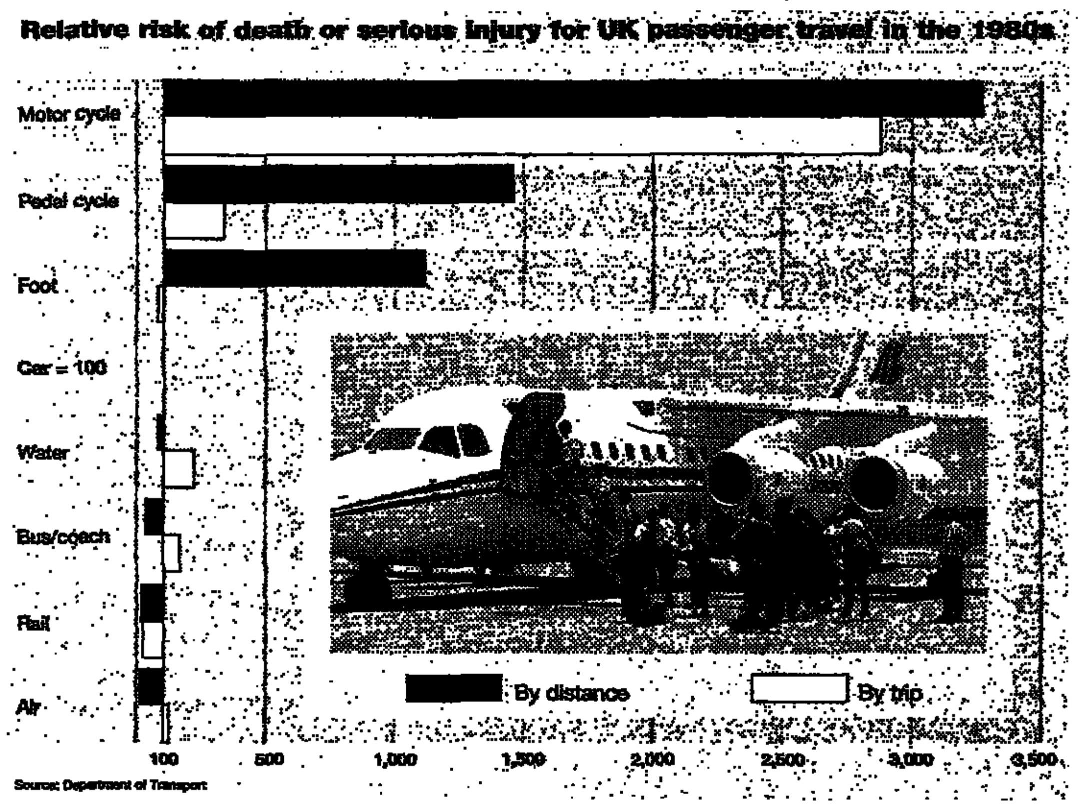
With more powerful, integrated systems, air traffic controllers should be able to concentrate more on difficult and potentially disastrous incidents by having much of the routine taken away from them. On Siemens' latest air traffic management system, each aircraft is identified with a marker and information about its height, direction and speed is attached. The picture can be blown up, viewed on more than one screen and be overlaid with weather data. There is a built-in conflict alert to show if two aircraft are dangerously close.

In competition with companies such as IBM, Raytheon and Hughes of the US, Thomson of France and Alenia of Italy, Siemens is keen to move deeper into the ATM market, worth more than $2bn a year.

The European part of that is valued at some $500m. As efforts by Eurocontrol (the European agency for air navigation safety) to harmonise and upgrade different national ATM systems – many of them dating from the 1960s – bear fruit, investment will be substantial. Among the new technologies being introduced are systems which use microwaves for quicker and safer landings.

*The series continues next week with a look at vehicle safety.*

**Relative risk of death or serious injury for UK passenger travel in the 1980s**




Source: Department of Transport

Even with the best air safety technology in the world, human skills will remain at a premium. Powerful number-crunching computer systems will take much of the complicated routine out of navigation and air traffic control and make it easier to deal with unexpected and risky incidents, but highly trained people will still be needed to fly and control the aircraft.

Computers and sophisticated electronics cannot do everything, however much they can simplify the business of taking off, flying and landing. They cannot, for example, deal with sudden and unexplained, engine or fuselage failures which need human ability to land crippled aircraft and save lives.

Nor can they be a comforting substitute in passengers' minds for the physical presence of a crew, even if all is well.

"Airline passengers are unlikely in the foreseeable future to trust themselves to a fully automatic aircraft," Charles Billings, a US safety expert, told a recent conference in London. "Would you?"

Billings, from the cognitive systems engineering laboratory at Ohio State University, said thousands of people each day placed their faith in urban, rapid transit systems. However, these run under much tighter constraints than are possible in aviation.

"You cannot simply stop the airplane when something goes wrong in flight." Also, pilots and air traffic controllers were responsible by law for flight safety. "This responsibility cannot be abrogated, even though automated devices may remove some of the authority formerly possessed by these human operators."

Thus he added: "We believe that if pilots and controllers are to be held responsible for system safety, they must retain the authority necessary to command and control the system." That is what the pilots think, too.

Broadly, pilots support the introduction of sophisticated navigation systems such as automatic dependent surveillance (ADS), says James Gaskell, vice-chairman of the air traffic services study group at the British Airline Pilots Association (Balpa).

But they are wary of too rapid a reduction of the present separation limits such as those applying over the busy North Atlantic, where more than 200 aircraft are in the air at peak times. Both Balpa and the international pilots' federation want a co-ordinated introduction in accordance with proper rules.

"It is surprising how busy the Atlantic is at times," adds Gaskell. "You can sit at night and see the lights of other aircraft above and below. It [ADS] does need to be treated very carefully." Thus Balpa would like to see ADS used initially at the current separation levels, with these then gradually being decreased as the system proves its worth.

Because aircraft are already so reliable and automated, some 75 per cent of accidents have a human cause, Phil Hogge, British Airways' general manager for flight operational services, told the conference which was organised by the UK's parliamentary advisory council for transport safety.

These days, errors tend to stem from incorrect loading of navigational information into the on-board computer rather than wrong calculations, he said. "Therefore, the subject that requires most attention is this whole area of why people make mistakes."

Apart from the work of psychologists, government agencies and manufacturers in designing effective warning systems and controls, BA also relies on its own intensive analysis of incidents – including use of its computerised Basis (BA safety information system) database – and the human factors involved. The airline uses this information to help training and improve procedures.

Much of the automation that pilots and controllers have become used to, said Billings, "is too often brittle instead of resilient, clumsy instead of facile and, above all, complex instead of simple."

But the new systems, he noted, were now starting to provide more help and information where it was most needed – such as after engine failures by compensating for uneven power thrust – and not just during routine flight.

"The means for at least semi-automatic air traffic control, as well as flight, are at hand."

But Billings added: "It is the human operators, not the computers, that remain responsible for safety."

Cinema/Nigel Andrews

# Menace aforethought

Which part of America should you live in for maximum safety and comfort? In Long Island you risk falling foul of the Jewish Mafia (*Amongst Friends*). In Arizona (*Benefit Of The Doubt*) you might be stalked across baking deserts by barking Donald Sutherland (ex-convict, psychopath). And in the Deep South of *Hard Target* you could well get lost like Cajun drifter Jean-Claude Van Damme, harried through the Louisiana swamps by neo-Nazi manhunters.

The best place, surely, must be Florida's gulf coast as depicted in Victor Nunez' travelogue-of-the-soul *Ruby In Paradise*. Here the only menace is invading tourists. Seasonally they clatter through the resort gift-shop in Panama City where the heroine works (Ashley Judd), a young girl hoping to find herself after fleeing unhappy adolescence in her native Tennessee.

No better state in the US for self-discovery. Surrounded by hideous souvenirs – the figurines made from coloured shells, the dayglo *T-shirts* – Ruby must search deep in herself for truth and authenticity. "I don't know what I'm doing here" she confides to her voice-over diary. But soon she is self-assured enough to find work, play and a sense of identity, and to juggle the two predators who want to get her into bed: raunchy *employer's* son Rick (Bentley Mitchum, grandson of Robert) and holier-than-thou environmentalist Mike (Todd Field).

Writer-director Nunez, who five years ago finger-painted a fine debut movie about the South *Gal Young Un*, gives us a film in two halves. Put simply, the first half is good, the second half self-destructs. For the opening hour we are enthralled by newcomer Ashley Judd's performance, with its hints of a secret life behind the slanting eyes, baby cheeks and self-defensive Southern drawl. And we purr with pleasure at the workings of the film-maker's own built-in junk detector. This goes "bleep" not just at the rows of rubbish in the gift-shops but at the dubious shelf life of the people Ruby meets: notably Rick (male chauvinism plus mother's-boy spinelessness) and Mike (fine until he reveals a weakness for God-slot television).

Part one is kept alive by a sense of danger and by our suspicion that there are picturesquely disturbed corners in Ruby's own mind. Too much doodling in that diary, for a start. But part two starts in *soon – too soon – on the process* of doubt-allayment. Lost jobs are regained, treacherous boyfriends unmasked and stern employers revealed as gooey benefactors. The happy ending stomps towards us like a too-early dawn, dispersing all the interesting shadows.

★

Hollywood has many mad science laboratories, but the maddest of all is the one with the signplate "Cultural Crossbreeding". Here men with white coats and smoking brains dream up projects such as *Hard Target*. What would happen (they muse) if we team a Belgian footboxing star with a Hong Kong action director and set them both down in French-American Louisiana?

Jean-Claude Van Damme is our hero-hulk with the trailing curls and legs as lethal and many-angled as compasses. John Woo of *The Killer* and *Hard Boiled* is called in to produce further evidence that he is the world's most gymnastic action director. And as for the plot – anyone got a plot? Oh yes, how about the old one about racist psychopaths going manhunting in the Deep South. That will do: so long as we are insured against plagiarism suits from *Betrayed* and *Southern Comfort*.

So the insane day begins; and the dreadful glory of a movie that is both delinquent and virtuosic. Shotgun in one hand, girl in the other (Yancy Butler, searching for a Dad we saw manhunted to death in scene one), Mr Van Damme serpentines through the bayous hunting – and being hunted by – Lance Henriksen's sneering villain and his pay-by-the-hour client army. Snakes; petrol bombs; exploding cars; *grenades down the trousers*; and Mr V.D. coming through it all like a mixture of Schwarzenegger and Nureyev. He dives swallow-like through the flames one moment, biffs the daylights out of the baddies the next.

I was appalled by the amount of careless laughter issuing from my area of the cinema, until I realised that much of it was coming from me. But then how *does* one react to a movie that resembles a Jackson Pollock painting in which the coloured smears are real people? Giggles seem as appropriate as shocked gasps. For this film has nothing to do with real life or real violence (that tends to hurt): rather it is a near-abstract riot of derring-do in which visible injury is set firmly aside for visible ingenuity.

★

For a truly numbskulled use of violence we must turn to Rob Weiss's *Amongst Friends*. Here the leisured classes of Long Island preside over a second generation of hoodlums-through-boredom. Andy, Billy and Trevor are scions of Kosher Nostra: Jewish dynasties surrounded by ill-gotten heirlooms and by only-begotten heirs who want all that and more. Do not be fooled by the yachts, the lace tablecloths and all that money spent on their education. These boys want out of Millionaire's Row and into Scorsese's mean streets.

We, somehow, are supposed to care. Weiss has a funny idea of the things that might constitute a plausible, empathy-prone source for a life of crime. (Jaded youngsters turning silver spoons into revolvers is not one.) And he has a funnier idea of character and structure. We dribble on through ten years of crime and punishment, feud and counter-feud, with no signs of ageing, no sense of psychological development, and certainly no increase in either wisdom or excitement.

But the week's Wooden Spoon for an American movie must be held back for *Benefit Of The Doubt*. This finds Donald Sutherland released from a 22-year jail sentence for wife-murder and going in search of daughter Amy Irving, who testified against him. "Daddy won't forget this..." he had told her outside court. So soon we are thrown sizzling into the silliest plot of 1993. Murder, incest, boat chases and wild, *wild Arizona scenery; plus a* handful of good actors struggling to be more than plastic counters shoved around a giant high-speed board-game.

★

Things are little better on this side of the Atlantic. A "successful" European film used to be one that earned festival prizes and critical plaudits and then sent out ripples of innovation and aesthetic challenge to Hollywood. Today a successful European film is one so Hollywoodish already that America buys it up for a remake: *Cousins, Three Men And A Baby, Nikita*...

Jean-Jacques Beineix's *IP5* has all the schmaltzy plot gimmicks in place to bait the Tinseltown hook. Two semi-delinquent street boys on the run, one black, one white. (This should secure the cross-racial youth audience.) The wistful, dying old man they meet on the road and from whom they learn lessons in love, wisdom and the everyday-miraculous. (He is Yves Montand: add a few million older moviegoers who grew up with *Z* and *L'Aveu*.) And – for what is a high-concept film without a "quest"? – an ensuing zigzag across France in pursuit of long-lost girlfriends (Montand), long-sought father figures (the boys) and other glib emotional pay-offs.

Beineix, who made *Diva* and *Betty Blue*, specialises in a grandiloquent glossiness that masquerades as art. He begins the movie – almost promisingly – as if it is a hip-hop musical. The black boy dances and sings along a midnight city street as his mate makes merry with the graffiti paint. The scene is so catchy, so surreal that we wish it had set the tone for the rest. "Les Spraycans De Cherbourg" we could have taken, but not Beineix's ensuing attempt to pass off maudlin fable-spinning as Deep Thoughts about the homeless child in each of us.

As for the UK print's transatlantic subtitles – "Chill out", "F*** me, what a babe!" – they add to the feeling that in Gallic movies today the trademark *"Made in France"* is being slowly obliterated by "Made for Hollywood."

RUBY IN PARADISE (15)
Victor Nunez

HARD TARGET (18)
John Woo

AMONGST FRIENDS (18)
Rob Weiss

BENEFIT OF THE DOUBT (18)
Jonathan Heap

IP5 (15)
Jean-Jacques Beineix

Bentley Mitchum and Ashley Judd in Victor Nunez's 'Ruby in Paradise'

# A Rooster on top of the pops

*Clement Crisp asks why Britain's flagship modern dance company is being sent to the breakers' yard*

Looking at London Contemporary Dance Theatre on Tuesday night at the beginning of its autumn season, I saw again what I have been seeing for 20 years: a superlative dance ensemble. When the company came into being at the end of the 1960s it was sometimes raw but always eager, always intensely committed. Across the next decade standards of physical attainment – stunning skill; whole-hearted and whole-spirited energy – were testimony to the guiding presence of Robert Cohan and the spiritual concern of Robin Howard, who had made the enterprise possible. After ten years the company was a world-beater.

Since then it has, astonishingly, improved, in matter of physical finesse, and adaptability to the demands of many choreographers. (Works by Martha Graham and Paul Taylor most honourably done; Cohan's choreographies perfectly shown; pieces by Richard Alston, Siobhan Davies, and others – all products of the organisation – given transcendent execution.)

Now, for reasons which are not as clear and straightforward as press-releases and apologists would have us believe, the troupe is to be reduced in size. Britain's flag-ship modern dance troupe is to be sent to the breakers' yard, to be replaced by a smaller ensemble under Richard Alston, as part of a "National Centre for Contemporary Dance".

Alston's appointment is good news. It is more curious that the Rambert Dance Company (from which Alston was summarily removed last December) is to be expanded to 25 dancers, with an orchestra, and is reportedly to become a "neo-classic" group adapted to the work of its forthcoming director Christopher Bruce, and also supposed to be capable of playing a Balanchinian repertory. (Hmm!) The dismantling of a superlative company, the fruit of an unrivalled school, in favour of a new unproved ensemble, is policy gone mad. The Luddites are in charge.

It is even more ironic that the greatest success LCDT has on its hands (and ebullient feet) at the moment is Christopher Bruce's *Rooster*. First made for the Geneva Ballet, it takes as its text awful songs by the Rolling Stones, but explores them in dances of whizzing vitality which LCDT bring off in fire-cracker style. It came as a wonderful end to a programme in which the dancers rescued two less than convincing pieces. Aletta Collins' *Shoes* is indeed about shoes – multi-coloured, clunky, better off than on. There is a score of abrasive minimalism by Steve Martland (well played by a group under Nicholas Mojsejenko) and stylish design by Tom Cairns. The cast are in street clothes; the theme – I suppose – suggests that shoes are conformist, and that we are better off bare-foot. It is all rather flaccid, and terminally long. But when Miss Collins lets her cast dance, the steps fly, and we see how amazingly gifted the troupe is – elegant in means, formidable in prowess, absolute and loving servants of their text. They make the piece exhilarating.

Nothing, no-one, can make the other novelty, a ripe piece of Euro-trash, bearable. It is entitled *Sand Skin* (no explanation given, though an addled programme note talks about "mutations necessary for the survival of a species"), and it is by the French-based Angelin Preljocaj. Fourteen dancers are hideously garbed. (Caroline Antenski has concocted what look like failed unisex underclothes in funereal black; tights that are more hole than fabric; black shoes) and behave morosely. They may be in quest of a cure for the steps, or merely exercising their psyches. They do their grand best, but look very sad indeed, and I do not blame them.

Fortunately *Rooster* restores them to life. This is given with glorious vitality, a throw-away bravura and a muscular sophistication – the impossible made not only easy but witty – that explains exactly why this great company (and I use the words advisedly) should not be sacrificed to policy. There have been mis-routings in recent years with LCDT – failures in artistic direction – but the troupe is a national treasure. We do not have anything comparable. There is nothing comparable in Europe. To sacrifice it on the altar of expediency and a chimeric re-organisation is criminal. Policy can be altered. To alter the company will be to deny its history – LCDT and its School made possible the whole modern dance movement in this country – its splendid present, and its potential for the future of dance in Britain.

Concert/David Murray

# A high price for Richter's big sound

On Tuesday Sviatoslav Richter played Bach in the Barbican, with Christoph Eschenbach and the English Chamber Orchestra. It was only a pendant to his solo recital in the Festival Hall on Sunday, but a costly one: £40 for any seat in the stalls or the mid-front circle.

First, Eschenbach conducted a reasonably trim, moderately lively account of Bach's Suite in D. Then, after the interval, Richter stalked on to play the D major and G minor "piano" concerti, the composer's own re-writes of his unimprovable violin concerti in E and in A minor. (The keys had to be lowered because the harpsichords of his day did not reach as far as the violin's top E). Finally the conductor-pianist joined Richter for the C minor, two-keyboard version of a concerto Bach probably wrote for violin and oboe.

There were no disturbing signs of over-rehearsal, neither in the Suite nor in the concerted pieces. Anyway, in the concerti Richter's and Eschenbach's big Yamaha grands often rendered the ECO strings all but inaudible – they might have been playing almost *anything*.

Though there are serious arguments for using the modern solo instrument that Bach never knew, the musical imbalance here was discomfiting. Not least because the ECO's continuo players had from the start included a harpsichord, the very instrument for which Bach intended his concerto solos: we could not help but notice how much happier the balance was between him and his string colleagues than between them and the soloist.

Watching a brooding, tight-jawed Richter performance (he is 78 this year) is always rather awe-inspiring. Presumably that justified the seat-prices, for there was nothing greatly remarkable in his Bach interpretations. Eschewing the expressive nuances available on the modern piano, he played everything robustly, firmly and cleanly, without any special virtuosity in his solo breaks. It seemed an exercise in heroically selfless restraint; and in the two-keyboard concerto, Eschenbach matched him.

We might have been hearing domestic play-throughs – except in the "Adagio e piano sempre" of the solo concerto in D, where Richter drew out the lyrical line to an elevated height. That was the redeeming passage of an otherwise low-profile concert. I got home in time to watch a beady-eyed BBC-1 programme about overpaid, underskilled conductors, such as record companies nowadays promote far beyond their half-formed merits. It was the most intelligent and usefully mischievous TV study of the real-life classical music business that I have seen, and we watched it free; it was at least twice as interesting as the laid-back, low-cost but pricey Richter exhibition.

Recital/Richard Fairman

# Bravo Bartoli!

For the second time in a fortnight the Royal Festival Hall has sold out for a solo singer. At least it seems unlikely that the capacity audience on Tuesday had turned up to hear Schubert's Fifth Symphony and Respighi's *The Pines of Rome*, the remainder of the Philharmonia's programme.

The star was Cecilia Bartoli – still a recent arrival in the operatic firmament, but her position there is undisputed. Her diary for this year and next reads like an inventory of the world's top musical venues, though the Royal Opera House is sadly not among them. As yet, the young Italian mezzo has not appeared in opera in Britain, which makes her celebrity the more remarkable. Such is the power of television and records.

This was the first time that I had heard her live, as on the previous occasions she had cancelled. (Perhaps nobody told her I was coming.) Heard in the flesh, the voice may not be large, but it is firm and agile, now radiant, now impish, now witty, now defiant, a darting butterfly of a voice, always on the point of metamorphosis to some new persona.

In Mozart's *Exsultate, jubilate* it was striking how Italian through and through her singing is. This piece has become a favourite with light sopranos who show off their scales in the outer portions and waft disinterestedly through the slow central section. Bartoli's starting point is the words (an exciting thrust on "jubilate") and the changing emotions were vividly dramatised. With an Italian upbringing music is always theatre.

Among Italian composers Rossini is her natural choice and she sang three arias from his operas. Pamira's Prayer from *Le Siège de Corinthe* started with the most affecting pure tone, set in relief beautifully in duet with a solo harp. When the main theme returned, accompanied by the full orchestra, she was only just loud enough in this hall, despite Giuseppe Sinopoli's considerate conducting.

Then came the famous arias from *La Cenerentola* and *Il barbiere di Siviglia*, each bubbling over with brilliance and personality. Bartoli sings her own decorations, which is wholly in character. Nothing this singer does is a mere echo of anybody else. With luck she will persuade opera managements to put on rare Rossini revivals for her in the future – perhaps with period orchestras, which would best match her scale.

Concert sponsored by AFG

# INTERNATIONAL ARTS GUIDE

## ATHENS

**Megaron** Tomorrow: Jacek Kasprzyk conducts Athens State Orchestra in Busoni's Piano Concerto, with soloist Aris Garoufalis. Sat, Sun: Nikolaus Harnoncourt conducts Chamber Orchestra of Europe in works by Beethoven, with violin soloist Gidon Kremer. Dec 5, 6, 7: Czech Philharmonic Orchestra (01-728 2333/01-722 5511)

## BOLOGNA

**Teatro Communale** The 1993-94 opera season opens on Sat with Puccini's Trittico, staged by Lluis Pasqual and conducted by Riccardo Chailly, with a cast led by Paolo Gavanelli, Mary Jane Johnson, Luis Lima (Il tabarro), Adriana Morelli (Suor Angelica) and Leo Nucci (Gianni Schicchi). Repeated Nov 30, Dec 2, 5, 7, 9, 12, 15. Prazak Quartet of Prague gives a recital on Mon. Chailly conducts Mahler's Third Symphony on Dec 10 and 11 (Biglietteria, Ente Autonomo Teatro Communale di Bologna, Largo Respighi 1, 40126 Bologna. *No telephone bookings accepted.* For information, call 051-529999)

## BARCELONA

The next opera production at the Liceu is La fille du régiment, which receives eight performances between Dec 4 and 19. Richard Bonynge conducts Gian-Carlo del Monaco's 1988 Zurich production, starring Edita Gruberova and Deon van der Walt. Cecilia Bartoli gives a song recital on Dec 15 (tel 412 3532 fax 412 1196)

## FLORENCE

**Teatro Communale** Tomorrow, Sat, Sun: Gianandrea Gavazzeni conducts Mendelssohn's St Paul. Next week's concerts are conducted by Aldo Ceccato (055-277 9236)

## LONDON

**THEATRE**

● Angels in America: Tony Kushner's epic two-part drama, comprising Millenium Approaches and Perestroika, can now be seen for the first time in its entirety on the British stage. Declan Donnellan directs both parts in the Cottesloe (National 071-928 2252)

● The Wind in the Willows: Alan Bennett's award-winning adaptation of Kenneth Grahame's magical animal tale returns for a Christmas run in the Olivier, in repertory with The Absence of War, David Hare's new play about the way politicians think and act, starring John Thaw (National 071-928 2252)

● The Iron Man: Pete Townshend's new rock opera, based on a story by Ted Hughes, receives its world premiere tonight in a production directed by David Thacker (Young Vic 071-928 6363)

● Oleanna: David Mamet's controversial play exploring the wilder shores of political correctness, with David Suchet and Lia Williams (Duke of York's 071-836 5122)

● Moonlight: Harold Pinter's first full-length play for more than a decade has gained in impact since its transfer to the West End from the Almeida. Ian Holm heads the cast as a father on his deathbed presiding over the disintegration of his family (Comedy 071-867 1045)

**OPERA/DANCE**

**Covent Garden** The Royal Opera's repertory is currently devoted to Die Zauberflöte, in a re-staging of Martin Duncan's Scottish Opera production, with changing casts including Amanda Roocroft, Sumi Jo and Wolfgang Holzmair. Tosca is revived on Dec 4 with Anna Tomowa-Sintow. The Royal Ballet has a double bill pairing Balanchine's Ballet Imperial and Ashton's Tales of Beatrix Potter, and a mixed bill including MacMillan's Different Drummer and Forsythe's Herman Schmerman (071-240 1066)

**Coliseum** English National Opera has a new production of Lohengrin, conducted by Mark Elder and staged by Tim Albery, with a cast led by John Keyes, Linda McLeod, Linda Finnie and Malcolm Donnelly. Repertory also includes Il barbiere di Siviglia, Le nozze di Figaro and Die Fledermaus (071-836 3161)

**Sadler's Wells** London Contemporary Dance Theatre is in residence till Dec 4 with three programmes, including choreographies by Christopher Bruce, Amanda Miller and Aletta Collins (071-278 8916)

**CONCERTS**

**South Bank Centre** Tonight: North Indian classical music with Ustad Vilayat Khan. Tomorrow (RFH): John Lill plays Brahms' Second Piano Concerto with the London Philharmonic. Tomorrow (QEH): Sian Edwards conducts Docklands Sinfonietta in Roussel, Lutoslawski, Szymanowski and Haydn, with soprano Joan Rodgers. Sat: David Willcocks conducts Bach Choir in Bach's Christmas Oratorio. Sun (RFH): Vienna Boys Choir Christmas concert. Sun (QEH): Matthias Bamert conducts BBC Symphony Orchestra in Penderecki and Gorecki. Mon: Alfred Brendel plays Beethoven piano sonatas. Tues: Wolfgang Sawallisch conducts London Philharmonic in Egk, Bruch and Richard Strauss, with violin soloist Maxim Vengerov. Wed (RFH): Kronos Quartet. Wed (QEH): Paul Sacher conducts London Mozart Players. Dec 4: Boston Symphony Orchestra (071-928 8800)

**Barbican** Tonight: Kent Nagano conducts London Symphony Orchestra in works by Boulez, Paganini and Mahler, with violin soloist Sarah Chang. Mon: Nagano conducts London Sinfonietta and Chorus in works by Messiaen, with keyboard soloists Paul Crossley and Jeanne Loriod. Tues: Christoph Eschenbach directs ECO in Beethoven, Janacek and Haydn. Dec 2-12: Colin Davis conducts four complete performances of Berlioz's The Trojans (071-638 8891)

## MADRID

**Auditorio Nacional de Musica** Tonight: recital for two pianos by Fred and Marina Hammond, music by Brahms, Debussy, Poulenc, Corigliano and Lutoslawski. Tomorrow, Sat, Sun: Aldo Ceccato conducts Spanish National Orchestra in Tchaikovsky's Third Symphony and Stravinsky's Petrushka (01-337 0100)

## MILAN

La Scala opens its 1993-94 opera season on December 7 with La Vestale, conducted by Riccardo Muti and staged by Liliana Cavani, with a cast headed by Maria Dragoni and Denyce Graves (eight performances till Dec 23). The Boston Symphony Orchestra gives a concert on Dec 13, and there will be eight performances of the Nureyev production of The Nutcracker between Dec 14 and 31 (02-7200 3744)

## NAPLES

The 1993-94 season at the Teatro San Carlo opens on Dec 10 with Rossini's Mosè in Egitto, with a cast including Roberto Scandiuzzi, Mariella Devia and Rockwell Blake, conducted by Salvatore Accardo (six performances till Dec 22). The season also includes La traviata with Giusy Devinu (Jan 15), La Sonnambula with Mariella Devia (Feb 26), L'occasione fa il ladro (March 16), La favorite (April 6) and Manon Lescaut (May 28). Booking and information: Teatro San Carlo, Via San Carlo 98, Naples (081-797 2331)

## ROME

The new season at the Teatro dell'Opera is due to open next Tues with Aida, in Zeffirelli's 1963 Milan production with Nina Rautio and Giuseppe Giacomini. Repeat performances have been scheduled for Dec 2 and 5, but the theatre is notorious for last-minute changes and cancellations (06-481 7003)

## TURIN

**Teatro Regio** Mon: Brigitte Fassbaender and Michael Austin sing Mahler's Das Lied von der Erde, with pianist Cyprien Katsaris. Dec 9: first night of Luca Ronconi's Italian-language production of The Makroupoulos Case, with Raina Kabaivanska (011-8815 214)

## VENICE

**Teatro La Fenice** Tonight, Sun, next Tues and Thurs: Garcia Navarro conducts Pier Luigi Pizzi's new production of Mosè in Egitto, with cast led by Ruggero Raimondi, Robert Swensen and Luciana Serra. Sat: Vladimir Spivakov conducts Moscow Virtuosi in works by Stravinsky, Mozart and Schnittke (041-521 0161)

**ARTS GUIDE**

**Monday:** Berlin, New York and Paris.
**Tuesday:** Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
**Wednesday:** France, Germany, Scandinavia.
**Thursday:** Italy, Spain, Athens, London, Prague.
**Friday:** Exhibitions Guide.

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**Saturday Super Channel:** Financial Times Reports 0930
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**Sunday Super Channel:** West of Moscow 1830
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# Nice brain, shame about the feathers

Sex is not only one of the wonders of life but also one of the two great mysteries of evolutionary biology. The other is human intelligence. This remarkable book draws together many of the latest strands of scientific thinking, to create a coherent explanation both for sexual reproduction and for the extraordinary explosion in human brainpower over the past million years.

The first big question is why animals have been put to the trouble of creating separate males and females to reproduce sexually, when asexual reproduction requires much less time and effort. The answer produced 60 years ago – that sex helps a species adapt to changing circumstances by sharing out genetic innovations – is unacceptable to the "selfish gene" school that dominates biology today.

Contemporary biologists believe the individual and its genes always come first; evolution never operates directly for the benefit of the species. Asexual individuals producing self-fertilised eggs should be able to swamp sexual rivals, who can reproduce only at half their rate, before the long-term advantages of sex make themselves felt.

The surprising answer, according to Ridley, is that sexual reproduction evolved to beat disease. The mixing of genes through sex gives the offspring a much better chance of withstanding the host of viruses, bacteria and other parasites that plagued their parent. Asexual rivals, on the other hand, are stuck with essentially the same disease-fighting genes as the previous generation.

Ridley describes new evidence to show that sex is worthwhile because it gives your children an immediate advantage in the fight against disease. Some comes from the molecular biology of germs and genes, some from computer modelling and some from experiments and observations of real animals. The Mexican minnow, for example, can reproduce with or without sex. If there is fungal disease in the pond, the sexual strains dominate; if not, they lose out to their asexual rivals.

**THE RED QUEEN: SEX AND THE EVOLUTION OF HUMAN NATURE**
**By Matt Ridley**
*Viking £17.99, 404 pages*

*The Red Queen* goes on to show how, once separate males and females existed, genetic competition led to the growth of sexual adornments whose principal purpose is to attract the best possible mate. One example is the peacock's tail. Another is the human mind.

Ridley picks up the recent work of biologists such as Geoffrey Miller of the University of Sussex in suggesting that the best explanation for human intelligence is as a sexual adornment. They reject the traditional view that brainpower started increasing rapidly among our ancestors because intelligence was so useful for making tools, using fire, hunting animals and gathering plants. Those challenges are essentially predictable, requiring some intellect but not an ever increasing amount – and they would have applied equally to other apes living on the African savannah.

The human brain, according to Miller, is "largely a courtship device to attract and retain sexual mates: its specific evolutionary function is to stimulate and entertain other people, and to assess the stimulation attempts of others".

Brain size would originally have started to increase through chance mutations in the genes controlling sexual selection. These would have spread rapidly through the prehuman population, in what Ridley calls an "arms race between the sexes".

This is the Red Queen effect, named after the character whom Alice meets in *Through the Looking Glass*. However fast she runs, the world keeps pace with her and she never gets anywhere. However intelligent we are, more intelligence is always better for understanding, manipulating and seducing other people with similar brain size.

As Ridley admits, the sexual evolution of the human mind is much the most speculative theory discussed in his book. But it is as plausible as any alternative explanation for human intelligence, and it accords with examples of the Red Queen in action elsewhere in the animal kingdom, which have been subjected to various experimental tests.

Many mammals and birds have developed elaborate colours, ornaments, displays and songs, to persuade members of the opposite sex to mate with them. These special attractions do not necessarily help individuals survive in the natural environment – indeed they may hinder survival by wasting precious energy or attracting the attention of predators – but no one dare opt out of this race between the sexes.

The sexual pressure is greatest in polygamous species such as the peacock. If all peahens go for males with the showiest tails, then a less discriminating female who picks a relatively plain mate is likely to have plain-looking sons. They will fail to attract other peahens and so her genes will die out.

Ridley, a British science journalist and former zoology researcher, gives only sparing personal information about his biological heroes. Never mind – the ideas in *The Red Queen* are so interesting that the excessive personal detail found in American popular science writing would have been an irritating distraction.

Illustrations, however, are a serious omission. Like many other science books, *The Red Queen* suffers because the author and publisher have made no effort to produce the graphics which could have illuminated the theories. For example, computer models showing sexual and asexual animals competing under different conditions would have been worth a thousand even of Ridley's lucid words. In their absence, there are a few pleasantly genteel engravings that might have graced a Victorian volume. Indeed, for a book about human sexuality, it is curiously chaste in every way.

*The Red Queen* may link sex and intelligence on an intellectual plane but in practice it leaves both as mysterious as ever.

**Clive Cookson**

1980s market darlings: Control Securities' Nazmu Virani, Polly Peck's Asil Nadir, QMH's Bairstow, Brent Walker's Walker and John Gunn of British & Commonwealth

# Variations on a corporate theme

**Maggie Urry asks if shareholders in Queens Moat Houses should have seen trouble ahead**

As Queens Moat Houses shareholders gather on Monday for the annual meeting to discuss the parlous state of their company's affairs, they might reflect on previous corporate horror stories that held clues for their own predicament.

If they had cared to look, recent corporate history offers parallels. QMH joins names such as Tiphook, also in talks with its bankers; Brent Walker, Control Securities, Saatchi & Saatchi and WPP – which have gone to the brink and been rescued; and Polly Peck, Maxwell Communication Corporation, Coloroll and British & Commonwealth – all of which have gone into receivership or administration in the 1990s.

All these companies were, or are, run by an entrepreneurial boss, often 1980s stock market "darlings". They have been highly acquisitive, needing repeated injections of cash from shareholders and banks. In the late 1980s they usually demonstrated a better than average profit record, but found themselves caught on a profit treadmill, constantly having to improve results through fear of disappointing shareholders and bankers. The treadmill became more exacting as recession bit. And many have over-borrowed to invest in assets which have since fallen sharply in value.

QMH shareholders could have learned a lesson from the others. Judging by the fall in QMH's shares in the year to March, when they were suspended, some investors did indeed heed the warning signs.

**The entrepreneurial boss**

The 1980s economic expansion was a time when entrepreneurial zeal was easy to convert into results that convinced bankers and financial markets. But too frequently the performance could not be sustained when recession began.

One corporate financier with experience of restructurings says, of those who came unstuck: They were able to demonstrate a record and the accounts appeared to show asset and earnings growth."

A director at a UK clearing bank, says: "They all traded by reputation rather than substance. There's the avuncular type, and the bullying type, but they all relied on being powerful and were often secretive about the business." A common theme, as in QMH and Brent Walker, was a lack of proper management accounts.

The entrepreneurial boss had often built the business from scratch. Mr John Bairstow, former chairman at QMH opened his first hotel in his house, a partly mock-tudor residence in Essex. Mr Robert Montague, chairman of Tiphook, and Mr George Walker, ex-chairman of Brent Walker, also founded their business empires.

"Typically they have a great belief in their own abilities, bolstered by City adulation. "If you are told you have the Midas touch, you believe it," the banker explains. Many appear to regard the company as their own private fiefdom. They are prepared "to bet the business" – regarded by many financiers as a sign of bad management; they take excessive risks – such as hanging on to assets in the hope that values will rise. If things go wrong, they blame bad luck.

"Good managers implement strategies appropriate to circumstances. In recession they rationalise, retrench, consolidate. Good management is about exercising options in a timely way and keeping exit routes open," says one lender.

It is rare to find in one person the combination of skills to manage a business in both expansionary and recessionary phases. But, he says, it is difficult for others to tell a company founder: "Now we're in recession we need different people."

It is not surprising that rule one in the banker's manual, says a corporate rescuer, is to get rid of the boss.

**The acquisitive company**

Doing deals is the entrepreneur's great love. But were companies that have since failed building on sand? A corporate financier says: "They were built on doing transactions where there is no room for error. You must assume continued economic growth because they can't take any downside."

Deal making for its own sake can prove a recipe for disaster. "The problem with acquisitions is that synergies are not achieved," says one banker whose fingers have been burnt. "You just get a bigger entity with bigger profits. Just because you can ride a bike it doesn't mean you can fly a jumbo jet."

An example of a "deal too far" is Brent Walker's £685m purchase of Grand Metropolitan's betting shops in 1989. The high price paid and debt incurred proved to be the final straw for an already overstretched company as the economy moved into recession. With hindsight the company might have acted differently – but critics say the signs were there at the time.

**The profit treadmill**

A succession of profit figures that seem to defy gravity is not all good news. In the 1980s, the entrepreneur could often point to a phenomenal profit record to justify more deals, borrowings and share issues. But in recession, even keeping profits on a rising trend is difficult. And once on the treadmill, the City can be unforgiving of companies that fall off.

"The boss would promise the City 20 per cent a year earnings per share growth, and then tell the finance director to find it," says one corporate financier.

Rising asset values help since costs can be capitalised – taking them out of the profit and loss account and including them in the balance sheet value. "Say you buy a property for £100m and then revalue it at £150m. That gives you scope to capitalise £50m of costs against it – like a helicopter," the financier suggests.

Another way of making use of rising asset values is to pass assets between subsidiaries, crystallising gains and taking them into profits.

Other methods are to "front-end" profits, taking profits which directors expect but which have not yet been made. QMH, for instance, used its incentive schemes, where hotel managers promised to meet certain financial targets over the next year but could keep any excess. QMH simply included the amounts promised in profits on day one.

The late Mr Robert Maxwell was notorious for padding out his profits with, for instance, foreign exchange gains and profits on disposals.

**Unsecured lending**

During the 1980s banks were keen to lend in a drive for market share. The corporate financier says banks were lending against assets without taking security over them: "The most junior analyst could see there was no cashflow." Without cashflow to pay the interest and with asset values slumping in recession, the loans could not be serviced or repaid.

"I've been through two recessions. After the first I thought, 'we've learnt our lesson, we won't do it again' but we did," says a clearing banker.

He is cynical about the future, believing that banks will again succumb to competitive pressures when the economy next starts to expand rapidly. "The mood of the moment will dominate," he says. Another quotes the banker's maxim: "Lending money is easy. It's getting it back that's the problem."

At QMH, the banks, which are together owed £1.2bn, are discussing a financial restructuring of the company which should save at least part of their money. The shareholders, who rank last in the list of creditors, could be forgiven for asking how they were supposed to know the depths of QMH's troubles. The answer is that they might not have been able to judge the full extent of its difficulties; but there were enough warning bells ringing.



# LETTERS TO THE EDITOR

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Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## Essentials to close yawning budget deficit

*From Mr Steven Bell.*

Sir, Samuel Brittan's article, "An Enigma Behind the UK Recovery" (November 22), asks the difficult question: exactly how much spare capacity is there in the UK economy? The paradox in the Confederation of British Industry survey of the decline of excess capacity combined with the anaemic gross domestic product expansion is, however, not so difficult to resolve.

First, the CBI survey is dominated by companies engaged in manufacturing whereas a much greater share of the recession in the 1990s has been taken by the service sector. I would guess that retailers, bankers, building societies and the media could all comfortably cope with an increase in output of 10 per cent from current levels.

Second, excess capacity, particularly in manufacturing, does nor stand idle forever. The conventional analysis of the output gap which extrapolates the trend in GDP and subtracts this from actual GDP is based on the premise that the capital stock is held largely intact during the cycle, unable to change swiftly in response to the fluctuations in aggregate demand. In a recession as long and deep as that at the beginning of the 1980s and 1990s, some spare capacity will be scrapped. This will reduce but not eliminate the gap. A similar argument applies to labour. The unemployed become progressively less employable the longer they are idle.

The precise size of the output gap is not particularly relevant. It is clear that there is a gap which is unlikely to be reversed for the next two years at least if, as we at Morgan Grenfell expect, UK growth is held below 3 per cent. Massive increases in taxation and/or reductions in public expenditure are required to close a yawning budget deficit. This, combined with the overhang of debt from the 1980s, will prevent demand from becoming too firm. Further gradual monetary easing in the form of lower sterling and/or base rates is justified.

Steven Bell,
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## Solution to league tables

*From Mr Michael Mavor.*

Sir, It is amazing what you can do with statistics. Three years ago I presented the head master's special prize at St John's College School, Cambridge, to a boy who, according to the senior school for which he was aiming, had scored high marks in his Latin common entrance papers. He had not taken Latin at all.

The latest league tables from the Department for Education give the impression – and impressions can be as important as facts – that only 85 per cent of Rugby's GCSE candidates gained five or more A-C grades ("Independents remain at top in A-levels and GCSEs", November 17). Your article refers rather disparagingly to the GCSE *performance* (my italics) at Repton, Rugby and Haileybury, thus reinforcing the misleading statistics.

The cohort decided on by the DFE for these statistics in fact included, among other anomalies (young sixth formers), 15 pupils who were not taking their main group of GCSEs. Although we went through all of this shemozzle last year I am sad that some newspapers continue to present such misleading figures without sufficient explanation. In this age group, 94 of the 95 candidates at Rugby who took five or more subjects gained grades A-C; this represents a figure of 98.9 per cent.

The best solution for next year – league tables are certainly here to stay – is surely for the DFE to present statistics by year group rather than age, or (if it sticks to the age group) to show the results of those who have actually taken five or more subjects. If the DFE does not do this a very special head master's prize will have to be invented for it.

Michael Mavor,
*head master,*
*Rugby School,*
*Warwickshire CV22 5EH*

## Keeping a check on cheques

*From T J Walsh.*

Sir, British banks are changing the system by which they process and clear cheques ("Banks set to process cheques for each other", November 15). Surely they should be taking steps to reduce drastically the volume of cheques handled.

This has been effectively accomplished in Switzerland. Every bill that I receive is accompanied by a standard payment transfer form. At the end of each month I group together all forms for payments due and sign a single debit authorisation. I mail all of these to my bank (in an addressed envelope which my bank provides for me) and within five working days I receive from my bank an itemised list of the payments which have been made on my behalf and confirmation that my account has been debited.

I have a cheque book but seldom, if ever, use it.

T J Walsh,
*La Estancia,*
*17 Chemin du Dérochoz,*
*1801 Le Mont-Pèlerin,*
*Switzerland*

## Reasons for larger civil service not hard to find

*From Ms Elizabeth Symons.*

Sir, Your leader article "Whitehall Farce" (November 6) falls well short of the FT' usual rigorously analytical approach. The reasons why civil service numbers have risen are not hard to find – higher unemployment needs more civil servants to administer benefit; the unprecedented size of the prison population does not keep itself behind bars; VAT on fuel will not collect itself, and paying it back to those who cannot afford it – some 5m people – will need thousands more civil servants to check and administer claims.

Mrs Thatcher cut 100,000 jobs from the civil service, but the taxpayer still pays for the functions which were contracted out. The real cost of that exercise are revealed now when contracts are re-negotiated at well beyond the expected increases. But now there is no civil service alternative. Contractors may complain about favour to in-house bids, but civil servants complain about the government's dogmatic preference for the private sector above value for money for the taxpayer – as, for example, with the Capita vehicle licensing plates contract which costs £2m in the in-house bid. Mr Waldegrave's explanation for this was that even where the taxpayer could get work done more cheaply in the public sector "it might be better done in the private sector". Without explanation, this remark seems to contradict the claim that decisions are based on cost efficiency, and seems to have its roots more in the philosophical prejudices of the 1970s than the 1990s.

The simple solution to this endless process of claim and counter-claim is to involve the National Audit Office in assessing bids received not only as regards costs, but also on value for money for quality of services provided.

As to the old chestnut of open advertisement for top civil service jobs, we shall all be wiser when the Cabinet Office finally publishes the efficiency unit report. But open competition in itself will not provide for a less "secretive" system. Some recent appointments have demonstrated that government ministers take decisions on appointments on the basis of undisclosed criteria, and sometimes in opposition to the interview panel's recommendation. Taxpayers end up footing the bill for enormously inflated private sector salaries. The crux of the issue is that system must be based on fair and open competition safeguarded by public scrutiny; it is therefore unlikely to bear much comparison with the private sector.

The real issue about appointments at these levels is the threat of the politicisation of these jobs. It goes to the heart of the maintainence of a politically neutral civil service.

Elizabeth Symons,
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FINANCIAL TIMES

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Thursday November 25 1993

# New moves in Bosnia

International peace efforts in Bosnia, of which so many have come to grief, are understandably greeted with increasing scepticism. But the latest initiative of the European Union has the merit of once more directly involving governments in the negotiations, instead of putting all the onus on the two international negotiators, Lord Owen and Mr Stoltenberg. That might just give the whole exercise more weight, particularly since US and Soviet representatives have been asked to join the Twelve in the talks due to start in Geneva on Monday.

The proposal agreed by the EU foreign ministers this week seeks to adopt a hard-headed approach, which is a far cry from the abortive Vance-Owen plan, with its emphasis on an equitable division of the three ethnic communities into provinces within a unitary Bosnian state. It offers a progressive suspension of international sanctions against Serbia if Bosnia's Moslems are given 3 to 4 per cent more land than they were offered in last September's plan for the partition of the country into three ethnic mini-states.

That is a realistic proposition, at least in principle, since Bosnia's Moslem-dominated parliament rejected the plan precisely because it fell short by some 3 per cent of the Moslems' territorial demands. Yet it is bound to be criticised by those who feel that the Bosnian Serbs have already been amply "rewarded" for their ethnic cleansing policies by retaining much of the land that they have conquered by force of arms.

President Slobodan Milosevic, the Serbian president, who has called a general election next month, would undoubtedly greatly benefit from a lifting of sanctions. These have caused immense hardship both in Serbia and its ally Montenegro, provoking serious shortages of all kinds and unprecedented levels of hyperinflation and unemployment.

Whether Mr Milosevic can deliver the Bosnian Serbs, however, is quite another matter. Whereas he can probably twist the arm of Mr Radovan Karadzic, the Bosnian Serb political leader, it will be much harder to bring the military into line. The new plan has already been rejected by Gen Ratko Mladic, the commander-in-chief of the Bosnian Serb army, whose contempt for agreements reached by political leaders appears to be a matter of reflex.

This is a serious problem, since the military on all sides have a vital role to play in guaranteeing the safe passage of United Nations relief convoys at a time when harsh winter weather is threatening the lives of hundreds of thousands more Bosnians.

Unless the talks make progress, this may be the last winter of UN involvement in Bosnia. The main contributors to UN forces in the former Yugoslavia, such as France and Britain, are now seriously thinking of withdrawing their troops next year if the political stalemate continues. Serbia would then face continued war, tougher sanctions and no prospect of an end to its diplomatic isolation.

# ITV futures

The proposed changes to Independent Television ownership rules are a cause for neither joy nor anguish. While a flurry of takeovers between the regional groups should not harm viewers' interests, the timid liberalisation announced yesterday will do little to enhance the competitiveness of UK broadcasting.

The absurdity of stopping large ITV companies acquiring each other has been rammed home by the fact that hostile bids will be allowed from elsewhere in European Union from next year. Viewers will be protected because regional programming commitments are enshrined in the ITV franchises. Concerns that mergers could reduce competition are best dealt with by the standard competition authorities.

Nevertheless, the arguments used to justify the new takeover regime give cause for concern. On the one hand, ministers decided to go for modest rather than total deregulation out of fear that the system could be put under "unnecessary strain". The danger with such talk is that the ITV companies may think it OK to huddle together in defensive mergers. This would merely perpetuate the weakness of groups which have grown up in a monopolistic culture. The sooner the ITV companies realise they are operating in the world of business, where strain and challenge are the daily reality, the better.

On the other hand, the reason for allowing any mergers at all is a belief that ITV companies are too small to be effective on the international scene. The equation of size with effectiveness in world markets is suspect.

A sleepy, erstwhile monopoly double its previous size will not necessarily be any better at winning business overseas. The more likely consequence is that it will waste shareholders' funds on foreign escapades, as has been the case with some privatised utilities.

The future of UK broadcasting needs to be understood in a wider context. Though the industry wishes to cling to its monopoly past, events are fast moving out of its grasp. Changes in technology mean that broadcasting is not governed by the need to share a limited supply of frequencies between ITV companies and the BBC. Rivalry from satellite and cable TV is growing rapidly. In future, digital broadcasting and the ability to pump TV pictures down telephone lines will provide further sources of competition. There is also a powerful, if rather unfocused, trend to integrate different media – the so-called multi-media revolution.

At present, the UK media sector is hampered by a criss-cross of regulations, of which the restriction on ITV takeovers is just one. It is moderately encouraging that ministers yesterday promised to examine the rules preventing newspaper groups owning ITV companies. But if Britain's full broadcasting potential is to be unlocked, a strategic review rather than a piecemeal approach will be needed.

# Trade talks

The passage of the North American Free Trade Agreement set the stage for successful completion of the Uruguay Round of multilateral trade negotiations. Unfortunately, events since then demonstrate how difficult it will be to finish this play. With only three weeks left before the December 15 deadline, difficult issues need to be resolved right now. Not only is this not happening, but the US is even introducing new problems at this very late stage in the negotiations.

In his statement to the Trade Negotiations Committee in Geneva last week, Mr Peter Sutherland, the Gatt's director-general, was even moderately optimistic. Eighty-three participants have made offers on market access; the principle of comprehensive "tariffication" of non-tariff barriers has been generally accepted; 85 participants have made initial offers on services; and new revised texts on the multilateral trade organisation and dispute settlement have also been produced.

Unhappily, there remains a host of unresolved old issues, to which new ones have been added. Under market access, for example, Mr Sutherland lists agriculture, textiles and clothing, tariff harmonisation, electronics, and leather products and footwear. Proposals to eliminate tariffs on steel products also remain critical if balance is to be achieved in the market access package.

Meanwhile, the US has outraged other participants by introducing a proposal to permit discriminatory taxation of foreign providers of financial services. It is also planning to dump on these negotiations at this late date new proposals aimed at making the scandalously protectionist anti-dumping policy still more so. Equally disturbing is the agreement by Mr Clinton to seek a 15-year phasing out of the multi-fibre arrangement, as part of the price paid for Nafta. No wonder an exasperated Mr Sutherland stated that "now is the time for heads of delegation to put solutions rather than problems on the table".

Those solutions have to come from the negotiations between the US and the EC, the two chief actors. They must soon reach the agreements that will provide the basis for the final global package. Unfortunately, this week's discussions between Mickey Kantor, the US trade representative, and Sir Leon Brittan, the EC's chief negotiator, seem to have done more to clarify their disagreements than resolve them.

Next week's discussions in Brussels must achieve far more. To mollify the French, for example, the two sides will need to agree an "interpretation" of the Blair House accord on farm trade as effective as the "clarification" of the Danish position under the Maastricht treaty. Similarly, they will have to agree the outlines of a comprehensive market access agreement. Next week's meeting offers almost their last chance. They are obliged to succeed. They have no acceptable alternative.

# Faint signs of life among the ruins

Italy's old political order has collapsed and a new one is struggling to be born, writes **Robert Graham**


The process of change in Italy has acquired a new and more chaotic rhythm. Until last Sunday's local elections, the ruling parties looked capable of either delaying or blocking genuine reform of the political system. But the spectacular collapse of support for the Christian Democrats and their allies has removed this possibility.

The system of political and economic power, constructed and refined over four decades by the Christian Democrats and their henchmen, has begun to implode. In parliament, where their four-party coalition notionally enjoys a working majority, they account for no more than 15 per cent of the national vote. Yet these discredited parties are meant to be the pillar of parliamentary support for the government of Mr Carlo Azeglio Ciampi.

This raises worrying questions, not only for Italians, who initially reacted with mindless shock to the new political geography, but also for Italy's international partners, concerned about the country's governability, its commitment to tackle public finances and press on with ambitious privatisation plans.

The fears are genuine, reflected in the sharp falls on the stock market and the decline in the value of the lira in the early part of the week. However, they need not be exaggerated, provided Italians retain their fine sense of self-preservation and chose not to shoot themselves in the collective foot by backing away from reform.

"Throughout the period of change since the general elections (April 1992), the political parties have always been brought face to face with reality by the markets," claimed one senior politician.

"In other words, when things get chaotic here, we are reminded of the consequences by pressure on the lira and losses on the bourse. Equally, Italy wants to be a responsible member of the international community and there are limits as to how irresponsibly we can behave at home."

The previous government of Mr Guiliano Amato cleverly exploited this argument to the full in steering reforms and the budget through parliament last year. Mr Ciampi, persuaded to leave the governorship of the Bank of Italy to become prime minister in May, may lack the political background to play this game of political balancing. Nevertheless his experience as a central banker should give added weight to his insistence that Italy's credibility now depends on quick approval of the 1994 budget.

He also managed to persuade Mr Achille Occhetto, the leader of the former communist Party of the Democratic Left (PDS), to come out on Tuesday with a formal statement backing the budget. Mr Occhetto, fresh from the success of his party in the municipal elections and a possible partner in a future government, demonstrated he has every interest in appearing a responsible figure. Behind the bellicose rhetoric of Mr Umberto Bossi, the leader of the Northern League, a similar realism probably lies.

The budget envisages raising L32,000bn (£13bn) through extra taxes and spending cuts to hold the public sector deficit to below 9 per cent of gross domestic product. The bulk will come from sharp reductions in spending in all ministries, as well as through a shake-up of the civil service. Parliament has been quietly seeking to erode parts of the austerity package and preserve the public administration from predatory cuts; thus there is a sizeable element in both houses with an interest in altering the budget and weakening both the fiscal side and the spending cuts.

However, the government is ready to resign if the budget fails to pass before the end of the year – as it must by law. Were the government to leave en masse, parliament would almost certainly be unable to approve legislation altering electoral constituencies.

Further, the fall of the Ciampi government on the budget issue would leave no alternative but to go to the polls immediately, without constituency changes. This would make a mockery of the new first-past-the-post system because electoral boundaries would not have been redrawn. Despite the rumblings from some Christian Democrats and Socialists, it is therefore hard to see the budget failing.

The parties' sense of realism will ride side by side with a ferocious battle for political power, however. This has been all too evident as more and more of the dying regime's dirty linen floats to the surface. In the past two months the Italian public has been treated to stories of a rebellious military preparing coups, and revelations about the misuse of secret service funds to bankroll the private lives of politicians.

So much mud has been flying that some at least has stuck to every institution, including the presidency. President Oscar Luigi Scalfaro was obliged to go on television at short notice to deny reports that when he was interior minister he knew about the misuse of secret service funds. This is the one ministry the Christian Democrats have never relinquished since 1946, and it has influenced some of the most sensitive aspects of national life. It is widely believed to have sat on the truth about many poorly explained events, including links between politicians and the mafia and the kidnap and killing of former premier Aldo Moro.

As the old edifice crumbles, everyone is simultaneously quarrelling over the inheritance and desperately laying down markers for a stake in the next republic. The existence of so many latent scandals, to say nothing of the ongoing corruption investigations, is a potent destabilising element. But the collapse of the old parties reduces the relevance of such muck-raking since it affects people and institutions on the way out.

The timescale in which the political parties have to regroup or recycle themselves is very tight if elections are to be held in March, as expected. The need to regroup explains why the Christian Democrats and their allies will still do all they can to put back the date as late as possible.

Even during the summer, after an earlier round in June of poor municipal election results, the Christian Democrats were still confident of remaining the country's largest party. Having conceded hegemony in the north to Mr Umberto Bossi's Northern League, the party had hoped to remain the dominant force southwards from Rome, leaving central Italy, the old "red belt", to the PDS.

This scenario no longer applies. The league has established itself as the dominant force in the north with one third of the vote; while the neo-fascist MSI has emerged to take a similar share from Rome southwards. The only party capable of a sizeable national presence is the former communist PDS.

The rise of the MSI, which owes its inspiration to the corporatist state and law and order policies of Mussolini, might seem perverse. But on closer inspection it has captured those who have deserted the old ruling parties and are reluctant to endorse the left. The new electoral laws for local elections encourage a polarisation of politics – and the electorate has simply opted for the few parties untainted by power or corruption.

The full impact of the MSI cannot be assessed until after the run-off in mayoral elections, due on December 5. In Rome Mr Gianfranco Fini, the MSI leader, is challenging Mr Francesco Rutelli, the Green candidate backed by the PDS and a leftist alliance. In Naples, Ms Alessandra Mussolini, grand-daughter of Il Duce, is in a run-off against the PDS and its allies.

If the PDS and its supporters fail to win both cities it would be a serious blow and the political panorama would be even more confused. On present form, it would mean that in the run-up to the next general election there would be absolutely no clear alliance likely to form a stable government. But at the moment, even one day is a long time in Italian politics.

# A blueprint for quality quangos

PERSONAL VIEW

The number of quangos in the UK is increasing at a significant pace, taking more and more power away from local government. The trend is at odds with the renewed interest in local accountability, as manifested in the work of the Local Government Commission and urban partnership projects like City Pride.

Health authorities, training and enterprise councils (Tecs), development agencies and housing trusts are all quangos that operate at a local level with substantial budgets and powers. But all are nationally appointed by the relevant secretaries of state, and, as a consequence, have doubtful credentials when it comes to accountability and legitimacy.

Few wish to see such bodies again run directly by local authorities. But there is a widely recognised need for reforms to make such bodies more accountable and more responsive to the main users. What is needed is better accountability and more efficiency, both of which can be nurtured by more "contestability". It would involve two innovations: first a new approach to appointment; second a new public power of dismissal.

Appointment of bodies such as health authorities would be the responsibility of an "appointment commission" representing the set of democratically elected institutions with a legitimate interest in the make-up of the relevant organisations. This could take the form of one-third national government, one-third local government and one-third other stake-holder interests agreed by both groups.

The appointment of a new board would be announced publicly, with a six-month lead-in time. Their first budgets would also be made public, providing a transparent framework for potential bidders. It would then be open to any group to apply to become the board, just as a contractor would bid to run a local service. These bidders might range from companies or groups of local government officers to campaigning organisations. Bidders would be required to set out their plans: the targets (if any) they aim to achieve; their management approaches; their business plan; and how they would meet their goals within the stated framework budget. The "appointment commission" would then, by successive rounds of elimination, choose a winner.

This model has several virtues. It would encourage creative "coalition building" – for example, between groups of doctors, administrators, health activists and general practitioners. It would be difficult for a board to represent only a narrow range of interests, and almost impossible for it to be used as an arm of party patronage as is often the case at present. It would encourage the evolution of more co-operative structures – strategic alliances between different kinds of intermediate body would probably result. And it would make criteria of evaluation transparent, since each bidder would set out what it aimed to achieve and could be called to account at a later date.

**There is a recognised need for reforms to make such bodies accountable to the main users**

The second requirement is to inject a credible competitive threat: a mechanism whereby a board can be removed if it under-performs. This could work very simply. If a board is deemed to be acting against the public interest, the relevant electorate would be able to petition for its removal. Five per cent of the population covered by a particular body – whether a Tec, health authority or urban development corporation – could sign a formal petition to demand a referendum on whether to retain the current board make-up. Ideally this would coincide with a local or national election. If the referendum went against the incumbents, by a simple majority, the appointments procedure would be set in motion to choose an alternative group. The approach would mimic purer democratic forms, but would only need to be used in extremis, given the difficulties involved in mobilising 5 per cent of any population. Such a power of removal could dramatically influence the behaviour of such boards.

The idea has an interesting parallel. The task for public policy makers in monopolistic industries has been to replicate some of the effects of competition by making market entry easier. In the utilities the regulator's task is to ensure that, even without the reality of competition, the threat – termed contestability – of competition forces managers to behave more efficiently.

In governance, too, there is now a need for more imaginative mechanisms which can marry accountability and efficiency and an appropriate level of public involvement. Contestability offers a good alternative to Whitehall patronage on the one hand and Town Hall patronage on the other.

**Geoff Mulgan**

*The author is director of Demos, an independent think tank*

# OBSERVER

## Ken Clarke – supervatman?

■ Kenneth Clarke is but a few days away from his big test, his first Budget as chancellor. Within that is contained yet another struggle, dare he risk the wrath of Britain's newspaper barons by imposing value added tax on papers and magazines?

Of course, no threats are openly heard. But Observer understands that the chancellor has been receiving plenty of unsolicited advice. Viscount Rothermere, whose Daily Mail is one of the government's staunchest supporters, has had a two-hour private meeting with Clarke's boss; he can be trusted to have put a persuasive case.

Meanwhile, The Spectator magazine, part of Conrad Black's empire, has tried to get into Clarke's good books by letting him win one of its annual parliamentary Oscars yesterday, its debater of the year prize.

However, if Clarke has read the memoirs of Lord Lawson, a former chancellor, he will know that one of Lawson's biggest regrets was letting himself be talked out of imposing VAT on newspapers in his 1984 Budget by Mrs Thatcher. "Look Nigel," she told Lawson, "this is a wonderful Budget and you should get a wonderful reception. You don't want to spoil that by putting VAT on newspapers." Lawson's advice is simple. A new chancellor has only one real chance of slapping VAT on newspapers – in his first Budget.

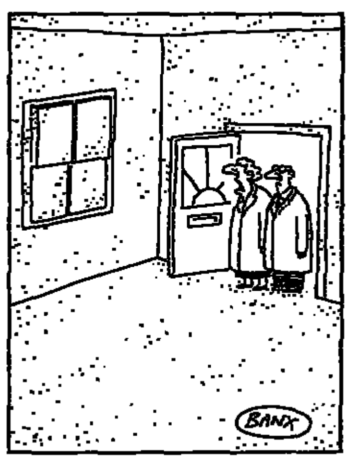
## Timely advice

■ Meanwhile, another ex-chancellor, Lord Callaghan, also had a few tips for Clarke when he presented him with his debating award. Callaghan, who resigned after devaluing sterling in 1967, recounted that shortly after he moved into the Treasury his attention was drawn to a short letter in The Times. It noted that since the war Britain had had two types of chancellor. Those who left in disgrace and those who got out in time.

However, the best line from the 81-year-old Lord Callaghan, was his tale of a mix-up at a G7 meeting he organised in Downing Street. A bemused American was perplexed by a wallmap full of red pins which he had found in his temporary quarters at Number 10. "We know the pins are not our nuclear bases in Britain and as far as we know they are not yours," said the Yank. Simple, explained Callaghan, they represent the bishoprics of the Church of England.

## Writ large

■ Michael Heseltine, Britain's secretary of state for trade and industry, profferred some advice to those gathered at the Institute of Directors' dinner on Tuesday evening.




'Oh no! We've had artists'

When he was in business he met his finance director every Friday afternoon to talk about some, but not all, the creditors. As he put it: "Sometimes in life it's better not to know too much."

He placed his creditors in three categories: those who had sent solicitors' letters; those who had issued writs; and those whose writs were 14 days' old. Heseltine's advice? Always pay off the third category.

An axiom which may well usefully inform the Department of Trade and Industry's current investigation into ways of dealing with the problem of late payments in business . . .

## Eau de hype

■ Nestlé may be the world's largest producer of mineral waters, but it's imbibing too much carbonated water for its own good – its pronouncements are getting a little windy.

It trumpeted yesterday the establishing of the Institut de l'Eau Vittel-Perrier, to carry out research in all matters pertaining to its wondrous products.

Ramón Masip, a colourful Catalan who heads Nestlé's food businesses, managed to keep a straight face when explaining the sorts of things this cutting-edge institution would investigate; the effects of various minerals on health and digestion; the influence of various containers on the taste and shelf life of mineral waters; and improved drilling techniques to prevent impurities leaking into underground pools.

Oh yes, he added, it would also be good for publicity.

## Caught short

■ A stockbroker offering to sell 20,000 shares when he meant to sell 2,000 might be considered unfortunate. But to try to sell 200m shares worth $1bn – as Thai stockbroker Phatra Thanakit did the other day – is mind-boggling, especially since the company in question, Ayudhya Investment and Trust Co (Aitco), only had 25m shares in issue.

Rival Bangkok brokers spotted the error and started buying more of the non-existent stock – adding to the problems of the well-connected Phatra, which co-operates with S.G. Warburg in researching Thai companies.

Phatra's shares were suspended, much to the embarrassment of Phatra's president, Viroj Nualkhair, who is also vice-president of the Stock Exchange of Thailand. Luckily for him and his firm, the stock exchange cancelled the relevant transactions, but not before more than 18m Aitco shares had been bought.

A post-mortem is being conducted to find out how the extra five zeros crept into the sell order from a sub-broker. But if it simply blames a faulty computer, then the central issue will just have been ducked.

Did Phatra contravene regulations, by allowing sub-brokers' orders to be routed automatically through its computer system to the market?

## Ramifications

■ Terry Maher, the recently ousted boss of Britain's second biggest chain of booksellers, need look no further for the title of his forthcoming memoirs, mentioned in Observer last week.

"Maher Maher Black Sheep", a reader helpfully proposes.

FINANCIAL TIMES
Thursday November 25 1993



# China to spend $140bn on infrastructure plan

By Tony Walker in Beijing

China plans to spend 700bn yuan ($140bn) by the year 2000 to overcome chronic transport bottlenecks restraining economic growth.

The official Xinhua news agency says China will pour funds into building railways, highways, waterways, pipelines and civil aviation facilities.

Foreigners will be encouraged to invest in Chinese infrastructure as partners in joint ventures or as sole operators. Hong Kong entrepreneurs are already deeply engaged in infrastructure projects, including toll roads, ports and power stations.

Reports by the World Bank and other institutions cite inadequate transportation as one of the main barriers to faster and more orderly economic development. The new infrastructure blueprint includes:

● A plan to boost the total length of railways from 53,000km to 70,000km. Rolling-stock capacity would be increased by 30 per cent to help meet demand in an economy expected to grow by 8-9 per cent annually. China's overstretched rail system can cope only with 60 per cent of industrial demand.

● A road-building programme to add about 200,000km to the country's inadequate network. Only 5,000km of the present 1.02m km are classified as highway, properly paved and consisting of more than one lane each way.

● Doubling the number of ports to 600. An estimated 50 per cent of ships calling at China's cargo-clogged ports have to wait days before unloading.

Xinhua said "bolder steps" would be taken to encourage foreigners to invest in China's infrastructure. The agency did not specify what that meant, but the Chinese authorities have been actively seeking outside help by offering a range of incentives for build-operate-transfer projects.

"While continuing to use loans provided by the World Bank and foreign governments, China will welcome foreign investors to run joint ventures or solely-owned ventures in the construction of railways, highways and civil aviation facilities, air control systems.

"Meanwhile, the country will encourage localities and enterprises to construct docks, roads and railways for their own use."

Provinces are being asked to redouble their efforts to tap alternative sources of financing.

China and South Korea agreed yesterday to build a 570km undersea telecommunications fibre-optic cable to carry 15,000 telephone lines.

The agreement reflects growing trade links between the two countries since relations were established in August last year. Work on the cable will start next June and is expected to be completed by the end of 1995 at a cost of $50m.

# C&W sends Michael Manley to help win Cuban contract

By Canute James in Kingston and Andrew Adonis in London

Mr Michael Manley, the former Jamaican prime minister, has been recruited by Cable & Wireless, the UK telecommunications group, to lead negotiations with the Cuban government about possible C&W involvement in modernising Cuba's telephone network.

The talks signal a further relaxation by the Castro regime in its attitude to foreign investment. Earlier this year it went some way towards legalising use of the dollar in Cuba, and has promised further currency liberalisation.

The Cuban government is believed to be talking to at least two other telecoms operators besides C&W, including Telefónica, the Spanish state operator, which has significant interests in Latin America. No US telecoms company appears to be involved.

C&W, whose interests centre on the UK and past and present UK dependencies, operates in 18 territories across the Caribbean region. It owns 80 per cent of Telecommunications of Jamaica, and has significant operations in Barbados, the Cayman Islands, Bermuda and Trinidad and Tobago.

Mr Manley, who resigned his premiership in March 1992, said he had already visited Cuba on C&W's behalf and had met President Fidel Castro and other leading government officials. He said he told them C&W had invested heavily in Jamaica to improve the island's telecoms, concentrating on building networks in rural areas.

Mr John Carrington, C&W's Caribbean director, said talks were at a preliminary stage, but the company was "very keen" to operate in Cuba provided it could be arranged without offending US sensibilities.

Cuba's state telecommunications company already has a joint venture with a private Mexican company to operate a cellular mobile network. However, the antiquated fixed-line network is a state monopoly, offering lines to only a tiny fraction of the 11m population.

In July the US State Department relaxed restrictions on telecoms companies seeking to provide phone links to Cuba, allowing Cuba to receive half of future telephone revenues for international calls.

Demand for telephone links among the Cuban exile community in the US is high.

# Russian poll shows lead for Gaidar

By John Lloyd in Moscow

An authoritative poll in Russia's cities and towns shows a clear lead for the liberal reformist Choice of Russia political bloc, headed by Mr Yegor Gaidar.

The poll also shows the grouping headed by Mr Grigory Yavlinsky not far behind, with both of them far ahead of the rest of the field.

The survey, to be published today in the newspaper Sevodnya, shows Choice of Russia with 29.2 per cent and Mr Yavlinsky's group with 20.5 per cent of the vote. The Russian Communist party is next, garnering 7.7 per cent.

One of the surprises is the very low showing of the Party of Unity and Accord, headed by deputy prime ministers Sergei Shakhrai and Alexander Shokhin. They poll a mere 3.7 per cent, below the 5 per cent minimum vote needed for the party to have seats in the lower house.

The strong showing for Mr Yavlinsky's party, which has campaigned on a programme of more moderate reform with an accent on wider privatisation as well as (on the part of some of its leading candidates) opposition to the draft constitution, points to a powerful role for the group's leaders in the next parliament – if they can sustain the momentum. Mr Yavlinsky has had talks with Mr Gaidar on co-operation between the reformist groups before the elections, but with no result so far. As the election campaign gathers momentum, neighbouring former Soviet states have reacted angrily to attempts by Mr Andrei Kozyrev, the Russian foreign minister, and other leading politicians to use the position of ethnic Russians in those states as an election issue.

● President Boris Yeltsin of Russia has allowed the city authorities of Moscow to draft a decree on privatisation of property in the capital, according to Mr Yury Luzhkov, the city mayor.

If the decree is signed, the city would gain control of a process that has been largely controlled by Mr Anatoly Chubais, the deputy prime minister and chairman of the state property committee.

# VW board meets to head off losses

By Christopher Parkes in Frankfurt

Renewed efforts to lift Volkswagen out of the red will head the agenda at a meeting of the automotive group's supervisory board in Wolfsburg tomorrow.

According to independent estimates, the company is heading for a loss of about DM2bn ($1.1bn) this year and faces fresh challenges in 1994, when its important domestic market is expected to shrink by at least 5 per cent.

Tomorrow's discussions will centre on a draft agreement with unions, expected last night, to reduce labour costs by temporarily introducing a four-day week in VW's six German factories.

But Mr Ferdinand Piëch, group chairman, is also expected to seek approval for cuts of about a third in his medium-term investment programme.

He will also be closely questioned on the group's relatively poor showing in Europe this year and on his plans for rebuilding its lossmaking US and Japanese operations.

The circumstances surrounding the Spanish Seat subsidiary's unexpected crash into losses of at least DM1.25bn this year will figure in a report prepared by independent auditors, KPMG Deutsche Treuhand, on the orders of Mr Klaus Liesen, chairman of the supervisory board.

The document is believed to blame poor financial controls and reporting systems. Seat's losses, discovered in late summer, followed the collapse of a new business plan drawn up on Mr Piëch's orders and designed to generate a break-even result.

Analysts suggest that the group's 1993 results will be pushed further into the red by the costs of closing Seat's Zona Franca plant in Barcelona, and by redundancy payments.

The KPMG report also confirms that investigators have not found any evidence that industrial secrets allegedly stolen from General Motors by Mr José Ignacio López de Arriortúa, a former GM director and now Mr Piëch's top production executive, have been used by VW.

Criminal investigations are in progress against Mr López in Germany and the US after his abrupt departure from GM in March. Hamburg prosecutors are examining a possible perjury charge.

The group's difficulties have worsened dramatically this year, dashing Mr Piëch's early hopes of a break-even in his first year of office.

Although the company expects to sell 1.4m VW marque vehicles in 1994, unchanged from this year, business plan forecasts drafted at Adam Opel, the local GM subsidiary, say total new registrations in the German car market will reach only 3.02m compared with 3.2m this year and 3.93m in 1992. The industry total will slide below 3m in 1995, according to the Opel projections.

THE LEX COLUMN

# Switching channels

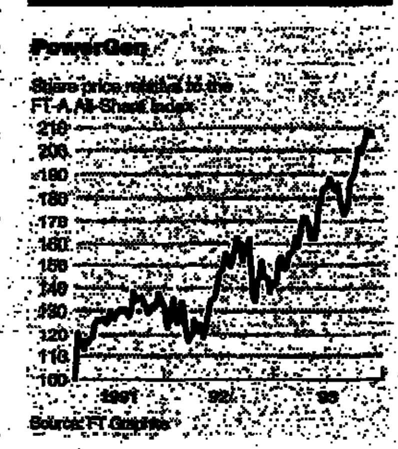
From the government which brought the nation the farcical ITV franchise auctions comes another blockbuster of legislative muddle. For the second time in as many years, the government is proposing to tamper with the industry's structure, turning the quoted television sector into a speculator's playground. The proposed relaxation of the franchise rules has already resulted in stock market mayhem as investors anticipate a rash of takeovers reducing the 14 ITV companies to just eight. A failure of bids to materialise will produce some nasty crashes.

However, it would be surprising if Granada did not now tilt at LWT. It is also a racing certainty that Carlton will bid for Central, although the OFT may worry about its combined share of ITV advertising revenue. Both these targets could, of course, make bids themselves to try to evade takeover. The hypothetical bidding scenarios which could result are mind-boggling.

The change in the rules will throw up unmissable opportunities to grab a bigger slice of the ITV network. It could still be tricky to make the takeover sums work. Television companies are relatively transparent and bidders will have a good idea of their target's current worth. But the ITC's insistence on regional programming will prevent the wholesale rationalisation of costs. Moreover, ITV companies will require rights issues to fund acquisitions. Yet they will have to raise money in ignorance of the future shape of the industry and with the fate of the BBC and the laws governing cross-ownership of the media still hanging in the balance.

## PowerGen

FT-SE Index: 3067.7 (-2.1)




The heavy provisions which both PowerGen and National Power carry mean that they look more like Swiss banks than electricity companies. PowerGen topped up another £12m yesterday, offsetting the £11m it has spent in the first half. The provision was to index the present value of long tail liabilities, but the £300m total it has stashed away for a rainy day looks excessive for such a well capitalised company. The latitude allowed finance directors to interpret the blurred border between prudent accounting and profit-smoothing is something the Accounting Standards Board could usefully address.

Another of the generators' little nest eggs is also beginning to hatch. PowerGen's coal stocks fell by 1.25m tonnes in the first half – releasing £46m in cash. If its stocks decline to 5m tonnes over the next 2 years, working capital will be cut by a further £300m. With such a cast iron balance sheet, the company is hoping that diversification will make its capital work harder. If that induces a justifiable queasiness, at least PowerGen has proved itself a good project manager on its mainstream capital expenditure programme.

It will be difficult, however, to find sufficiently attractive projects to put the company's financial power fully to work. If PowerGen is as prudent as its accounting, shareholders may see some of their equity returned. That will only increase the financial attractions should the generators avoid a blind date with the Monopolies and Mergers Commission.

## Kwik Save

Kwik Save's full year figures cast little light on what the future holds. While European discount chains have long been a threat, the big guns of UK food retailing started cutting prices only after the financial year end. The performance of Kwik Save's shares reflects as much: holding up well to the end of August but falling by 20 per cent since. More important than the 14 per cent rise in profits, then, is the message that sales growth is now slowing as competition takes hold.

Having set out its stall as a discount chain, Kwik Save has little option but to match J. Sainsbury and Tesco on price. Margins are being defended by asking suppliers to fund price cuts. As a champion of branded goods, Kwik Save holds strong cards in such negotiations. But manufacturers can only be squeezed so far. Kwik Save has in the past sacrificed margin in favour of volume growth and it would be strange if the company reacted differently to this latest challenge. How far margins might have to fall to keep sales moving is in the hands of the competition.

With a return on capital higher than its peers – and a store opening programme funded entirely out of cashflow – Kwik Save can afford to keep expanding even as the pressure builds. But new stores alone will not deliver earnings growth if margins are falling elsewhere. If returns on new investment turn out to be much lower than in the past, the argument for spending less and distributing more to shareholders will be compelling.

## Tate & Lyle

Tate & Lyle's share price is now back to within spitting distance of where it was when the company issued its profits warning in September. In the light of worries elsewhere in the food sector that is a doubly commendable performance, so there are grounds for wondering whether the warning was necessary in the first place. Doubtless companies should not allow expectations to stray too far out of line. But it also helps to massage expectations. On that basis, incidentally, it is hard to see many being willing to correct assumptions that are too low. The important thing is to pre-empt disappointment on the day. Attention yesterday focused less on Tate's mere 17 per cent increase in profits than on the thought that its prospects are slowly improving.

Last year, currency movements accounted for nearly two thirds of the increase in profits. This year the emphasis should be more on underlying growth, with improvement in the US stemming both from higher sugar prices and from cost cutting at Staley. There should also be some recovery of the European sweetener market.

Together with Tate's strong cashflow and its own estimate that changes in the last budget defer the onset of an ACT problem till 1996, this leaves scope for continued dividend progression. Tate will doubtless hope that this pushes its share price high enough to encourage conversion of its preference shares. Interest cover of 5.7 times leaves little to fear in gearing of 78 per cent. A lower figure would provide more flexibility for expansion nevertheless.



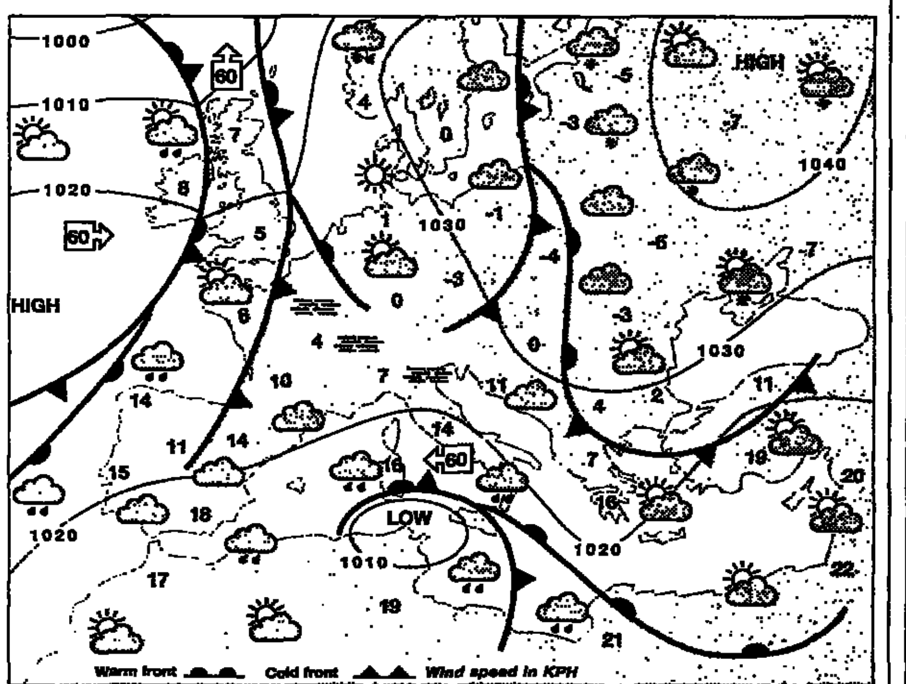
## FT WORLD WEATHER

### Europe today

The large high pressure area in Russia will temporarily weaken but will continue to dominate central Europe. Central and Eastern Europe will be settled and frosty with widespread cloud and isolated snow flurries. Sunny intervals in the Low Countries, Denmark and Germany will boost afternoon temperatures well above freezing. Cloud will prevail over Scandinavia with rain along the Norwegian coast and snow over Finland. Patches of fog and low cloud will persist in France. The western Mediterranean will have a lot of rain, sometimes accompanied by a rumble of thunder.

### Five-day forecast

During the weekend, the persistent Russian high will strengthen again as it moves towards southern Scandinavia. As a result, after a relatively mild period over the western countries, a wintry air mass will move in from the east. However, no significant snow is expected. Western parts of the British Isles will have unsettled conditions with recurrent rainfall and mild temperatures.




Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

| | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Maximum | | Belfast | rain | 7 | Cardiff | cloudy | 7 | Frankfurt | cloudy | 1 | Malta | rain | 21 | Rio | shower | 26 |
| | Celsius | | Belgrade | cloudy | 0 | Chicago | sleet | 3 | Geneva | cloudy | 0 | Manchester | cloudy | 5 | Riyadh | fair | 27 |
| Abu Dhabi | sun | 28 | Berlin | fair | -1 | Cologne | fair | 7 | Gibraltar | shower | 17 | Manila | cloudy | 30 | Rome | shower | 16 |
| Accra | shower | 31 | Bermuda | shower | 27 | D' Salaam | shower | 30 | Glasgow | rain | 8 | Melbourne | cloudy | 23 | S. Frsco | sun | 16 |
| Algiers | shower | 16 | Bogota | cloudy | 19 | Dakar | fair | 26 | Hamburg | fair | 1 | Mexico City | fair | 20 | Seoul | rain | 6 |
| Amsterdam | cloudy | 2 | Bombay | fair | 34 | Dallas | cloudy | 1 | Helsinki | snow | -3 | Miami | shower | 27 | Singapore | rain | 29 |
| Athens | fair | 12 | Brussels | cloudy | 2 | Delhi | sun | 27 | Hong Kong | cloudy | 21 | Milan | cloudy | 4 | Stockholm | cloudy | -2 |
| B Aires | cloudy | 22 | Budapest | cloudy | 2 | Dubai | sun | 30 | Honolulu | cloudy | 31 | Montreal | sun | -5 | Strasbourg | cloudy | -2 |
| B ham | cloudy | 5 | C.hagen | fair | 0 | Dublin | rain | 8 | Istanbul | cloudy | 8 | Moscow | fair | -7 | Sydney | fair | 22 |
| Bangkok | cloudy | 32 | Cairo | fair | 22 | Dubrovnik | fair | 15 | Jersey | fair | 7 | Munich | cloudy | 2 | Tangier | fair | 17 |
| Barcelona | shower | 14 | Cape Town | fair | 25 | Edinburgh | cloudy | 7 | Karachi | sun | 33 | Nairobi | shower | 25 | Tel Aviv | fair | 20 |
| Beijing | fair | 6 | Caracas | cloudy | 29 | Faro | fair | 17 | Kuwait | fair | 29 | Naples | shower | 14 | Tokyo | cloudy | 16 |
| | | | | | | | | | L. Angeles | sun | 22 | Nassau | shower | 26 | Toronto | fair | 1 |
| | | | | | | | | | Las Palmas | fair | 22 | New York | sun | 3 | Tunis | shower | 18 |
| | | | | | | | | | Lima | cloudy | 21 | Nice | fair | 13 | Vancouver | sun | 8 |
| | | | | | | | | | Lisbon | fair | 14 | Nicosia | fair | 20 | Venice | fair | 7 |
| | | | | | | | | | London | fair | 4 | Oslo | cloudy | 0 | Vienna | cloudy | 0 |
| | | | | | | | | | Lux.bourg | fair | 3 | Paris | cloudy | 4 | Warsaw | cloudy | -3 |
| | | | | | | | | | Lyon | cloudy | 2 | Perth | fair | 26 | Washington | fair | 7 |
| | | | | | | | | | Madeira | shower | 19 | Prague | cloudy | -3 | Wellington | fair | 15 |
| | | | | | | | | | Madrid | fair | 11 | Rangoon | fair | 35 | Winnipeg | sun | -7 |
| | | | | | | | | | Majorca | rain | 16 | Reykjavik | sleet | 3 | Zurich | cloudy | -2 |

FINANCIAL TIMES
# COMPANIES & MARKETS
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## INSIDE

### Stora swings back into black

Stora, Europe's leading pulp and paper group, swung strongly back to profitsin the third quarter of 1993. Profits after financial items for the three months were SKr264m ($31.5m), compared with a SKr333m loss in the same 1992 quarter. Page 18

### Cleaning up in India

Unilever and Procter & Gamble, champions of soaps and detergents markets around the world, are preparing to do battle in a country with 880m potential consumers. Not far behind them are other multinationals, including Henkel and Benckiser of Germany and Kao of Japan. Page 19

### Swift rebate to customers

Swift, the electronic network owned by 2,000 banks, yesterday responded to growing competition to handle cross-border payments by announcing a 20 per cent rebate for its customers. Page 20

### Channel tunnel claim settled

A row between Bombardier, a Canadian supplier of trains for the Channel tunnel, and Transmanche Link, the main contractor, over a C$746m ($565m) claim to cover cost overruns has been settled, the two sides announced. Page 21

### British Midland in SAS link

British Midland Airways, the second largest UK carrier, is strengthening its relationship with Scandinavian Airlines System by taking over SAS routes from the UK to Scandinavia as well as eight SAS Boeing 737-500 aircraft. Page 23

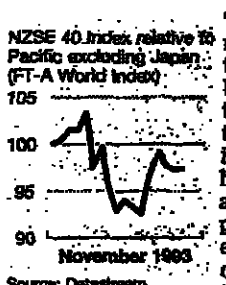
### Bitter fruit of peace process

Farmers in Israel are worried they might be bombarded with cheap fruit. Their counterparts in the Gaza strip can produce high quality fruit and vegetables at half the cost in Israel. And the peace process means free trade is an imminent prospect. Page 24

### Sprint

An article on November 15 referred to an "alliance" between Sprint and Unisource. Sprint in fact has a value-added network inter-connection agreement with Unisource, not a formal alliance.

### A shock in New Zealand




The New Zealand stock market is taking its time to recover from a severe blow received following this month's general elections. Businessmen whose identities are still secret had invested millions in a massive advertising campaign which had warned everyone of the dangers of abandoning FPP. After the election, the initial reaction was that the business community had got the worst of all outcomes. Back Page

### Companies in this issue



### Market Statistics



### Chief price changes yesterday

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **FRANKFURT (DM)** | | | | Pinault Print | 812 | + | 21 |
| **Rises** | | | | Radiotechn | 329.5 | + | 11.5 |
| Asko Prf | 944 | + | 14 | **Falls** | | | |
| Horten | 245 | + | 6.5 | Accor | 780 | – | 10 |
| Lahmeyer | 810 | + | 12 | Euro Disney | 27.2 | – | 6.2 |
| Wella Prf | 855 | + | 20 | Havas | 440 | – | 10.5 |
| **Falls** | | | | **TOKYO (Yen)** | | | |
| Berliner Bank | 430 | – | 8 | **Rises** | | | |
| Douglas | 570 | – | 10 | [illegible] | 490 | + | 60 |
| **NEW YORK ($)** | | | | Sansui Elec | 170 | + | 9 |
| **Rises** | | | | **Falls** | | | |
| Chrysler | 53¾ | + | 1¾ | Hitachi Plant | 530 | – | 82 |
| Hewlett-Packard | 73½ | + | 1½ | Nitto Chemical | 355 | – | 45 |
| Humana | 16⅝ | + | 1 | OKK | 390 | – | 49 |
| IBM | 53¼ | + | 2 | Tokyo Elec | 390 | – | 45 |
| Microsoft | 79¾ | + | 2 | | | | |
| Philip Morris | 55⅝ | + | ¾ | | | | |
| **PARIS (FFr)** | | | | | | | |
| **Rises** | | | | | | | |
| Bouygues | 655 | + | 16 | | | | |

New York prices at 12.30.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **LONDON (Pence)** | | | | Osborne Little | 230 | + | 32 |
| **Rises** | | | | **Falls** | | | |
| App Holograph | 68 | + | 4 | ABI | 149 | – | 30 |
| BM Group | 22¼ | + | 2¼ | BPP Hldgs | 215 | – | 90 |
| Banner Homes | 109 | + | 13 | BSG Intl | 58¼ | – | 12¼ |
| Betterware | 153 | + | 8 | Blenheim | 300 | – | 23 |
| Bluebird Toys | 583 | + | 23 | Bodycote | 236 | – | 20 |
| Caledonia Invs | 568 | + | 33 | Euro Disney | 318 | – | 62 |
| Central ITV | 2170 | + | 77 | Flextech | 277 | – | 13 |
| Glenchewton | 38½ | + | 3½ | Lambert Hwth | 315 | – | 40 |
| Goodhead | 23 | + | 8 | Norweb | 640 | – | 23 |
| Kitty Little | 48 | + | 8 | Yorks-TyneT TV | 194 | – | 17 |
| Medeva | 128½ | + | 5½ | | | | |
| Merivale Moore | 71 | + | 8 | | | | |
| Molynx | 47 | + | 3½ | | | | |

# Deutsche Bank's Italian arm expands

**By Haig Simonian in Milan**

## Banca d'America e d'Italia to pay L470bn for controlling stake in Banca Popolare di Lecco

Banca d'America e d'Italia (BAI), Deutsche Bank's big Italian subsidiary, is paying L470bn ($277m) to buy a controlling 58.07 per cent stake in Banca Popolare di Lecco (BPL), a profitable northern regional bank.

BAI will also have to mount a compulsory offer to minority shareholders in BPL, which is quoted on Milan's unlisted securities market, at the L18,279 a share it is paying the bank's controlling shareholder, Banca Popolare di Novarra. The offer will add an estimated L340bn to the transaction.

Final pricing, and terms of the public offer, will only be established in early April 1994, after a due diligence examination of BPL's accounts.

The deal is the biggest single investment by Deutsche Bank in Italy since its December 1986 takeover of BAI for $603m. Since then, the Italian subsidiary has expanded its branches. Last year it made an unsuccessful bid for Citibank's southern Italian retail banking operation.

The purchase comes at a time of ferment among Italy's medium-sized regional banks, which have tended to steer clear of the big loan-loss provisions now being made by the country's larger financial institutions.

Banca Popolare di Verona, a leading north Italian regional bank, has launched an unprecedented hostile bid for Banco San Geminiano e San Prospero, a medium-sized bank based in Modena. Separately, the Parma savings bank last week confirmed it was in talks to buy Credito Commerciale, a slightly bigger Milan-based counterpart.

In some cases, as in the BPL and Credito Commerciale deals, the once-inconceivable sales of prized subsidiaries has become necessary to staunch financial difficulties at their parent companies. In the case of Banco San Geminiano, high profits and good geographic coverage have drawn the unwanted attention of an ambitious neighbour.

BPL has about 1,200 staff and 100 branches in Lombardy, Italy's richest region. The bank, which has total assets of about L6,000bn, will continue to operate independently of BAI. BAI now has around 150 branches nationwide and about 3,000 staff.

# Nestlé points to rising sales

**By Ian Rodger in Vevey, Switzerland**

Nestlé, the world's largest foods group, said its sales in the first 10 months of 1993 were up 5.2 per cent at SFr46.6bn ($31.6bn), because of a slight acceleration of growth in the second half.

Mr Helmut Maucher, chairman, speaking at Nestlé headquarters in Vevey, said the directors were "satisfied" with progress this year in the face of sagging sales in Europe, the group's main market area.

Mr Maucher indicated that the sales growth trend for the full year was established, and that net income would also rise to a similar extent. The net margin would remain at last year's level of 5 per cent of sales, he said. He expected further sales and profit growth in 1994.

He dismissed suggestions that consumers were turning away from branded products. "To the extent that these products offer the consumer innovation and convenience, and provided that their prices are competitive, they will continue to benefit from consumers' loyalty," he predicted.

Mr Reto Domeniconi, finance director, pointed out that Nestlé had been able to raise its prices an average 2.4 per cent in the first 10 months (excluding countries with hyperinflation), which proved the strength of its brands.

The real internal growth of Nestlé's sales remained a weak 1.2 per cent in the first 10 months, well below the 3.3 per cent for 1992. Most of the rest of the 5.2 per cent growth came from acquisitions.

Sales in Europe, which traditionally accounts for half of the group's sales, fell 1 per cent to SFr21.8bn, while sales in North and South America rose 10 per cent to SFr16.9bn and those in the rest of the world jumped 14 per cent to SFr7.9bn.

Mr Maucher said: "We are the only large food group to have a quarter of our sales in countries other than the US and Europe."

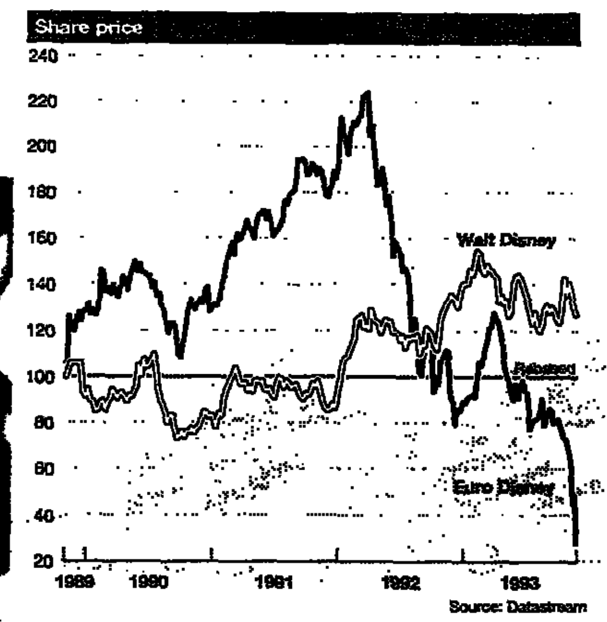
Nestlé's net borrowings had eased from a peak of SFr10.4bn in June following last year's Perrier mineral water acquisition to SFr9.4bn at the end of October. Mr Domeniconi said they would fall to about SFr9bn by the year end. Mr Domeniconi said Nestlé would probably raise new debt capital within the next few months to take advantage of low interest rates.

Observer, Page 15

Euro Disney's refinancing will be a game of financial poker, writes **Alice Rawsthorn**

# Poisoned apple within the magic kingdom

Michael Eisner
Chairman of Walt Disney




Mr Michael Eisner, chairman of Walt Disney, marked the occasion of his signing of the agreement in 1987 to open the EuroDisneyland theme park in France, by presenting Mr Jacques Chirac, then the French premier, with an original slide from a Disney cartoon – the witch handing the poisoned apple to Snow White.

This choice now seems eerily appropriate as Disney starts the painstaking process of restructuring the finances of Euro Disney, which earlier this month reported a net loss of FFr5.3bn ($900m) for the year ended September. The US group must somehow coax, or bully, the 60 international banks that own Euro Disney's FFr20.3bn debt to agree to a radical refinancing.

Disney last week kicked off negotiations by convening a special meeting in Paris with the banks, which are believed to include Banque Nationale de Paris, Caisse des Depôts and Indosuez of France, and Merrill Lynch of the US. The banks are hurriedly assembling a steering committee (expected to be led by Indosuez or BNP) to spearhead their discussions with Disney.

The banks are bracing themselves for a tense game of financial poker against Disney which, under Mr Eisner (or "Ice Man Mike" as he is known in the Hollywood film industry) has become renowned as one of the toughest companies in the US.

The crux of Euro Disney's problems is that it is crushed by its own financial structure. It cannot afford to service the FFr20.3bn net debt with which it is burdened after exceeding the construction budget for EuroDisneyland and the drain on cash-flow resulting from its trading difficulties.

Euro Disney says it is still self-financing, but admits that it is likely to run out of money early next year. Disney has agreed to bail it out, but has stressed it will only do so for "a limited period" to enable Euro Disney to restructure its finances "by spring 1994".

The main aim of Disney and Euro Disney, advised respectively by Lazard in New York and S.G. Warburg in London, is to reduce Euro Disney's debt to a manageable level. Analysts suspect that they hope to halve the debt to around FFr10bn. This could be achieved by a combination of a debt-for-equity swap by the banks; by bringing in new equity partners on a deeply discounted basis; and a rights issue for existing shareholders.

Such a package would involve heavy dilution for existing investors but should be enough to save Euro Disney. Ms Rebecca Winnington-Ingram, analyst at Morgan Stanley in London, calculates that Euro Disney could trim its net loss to FFr1bn in 1993-94 and break even two years later.

Disney's main negotiating weapon against the banks is to threaten to close EuroDisneyland unless they agree to rescue it. In theory Disney could afford to do so. Indeed it could argue that it cannot afford not to, given that

**Banks are bracing themselves for a tense game of financial poker against Disney, which has become renowned as one of the toughest companies in the US**

Disney's share of Euro Disney's losses dragged it into the red with a net loss of $77.8m in the fourth quarter of its last financial year. Ms Margo Vignola, analyst at Salomon Brothers in New York, described Euro Disney as an "albatross" for its US parent.

If Disney did withdraw, the banks would have to write off their entire exposure of FFr20.3bn to Euro Disney. The banks are gambling that Disney, which until the present debacle was seen as one of the US's most successful companies, would be loathe to tarnish its gilded reputation by admitting defeat in Europe. Once the steering committee is in place they are expected to press Disney to play its part in alleviating Euro Disney's financial plight.

Disney would, of course, be expected to participate fully in a rights issue but it is highly unlikely that it would agree to provide further capital. If it raised its stake above the present level of 49 per cent it would, under US accounting regulations, have to consolidate Euro Disney's debt on to its own balance sheet.

However the banks could try to force Disney to reduce its own income from Euro Disney. The US parent has already agreed to waive its "management fee" of 3 per cent of Euro Disney's revenue until the company is profitable. The banks might ask Disney to cut the "royalty fee" of 10 per cent on admissions and 5 per cent of food and merchandise sales. This fee totalled FFr262m last year.

Meanwhile Disney hopes that the French government, anxious to protect the more than 10,000 jobs created at EuroDisneyland, will "encourage" the banks to bail it out. One option would be for the Caisse des Depôts, the state-controlled financial institution, to reduce the 7.8 per cent interest rate levied on its FFr4.8bn of Euro Disney's debt.

These are the main issues which will dominate the negotiations over the next few months. In the meantime Euro Disney's finances are deteriorating, as illustrated by yesterday's 18.6 per cent fall in the share price to a new low of FFr27.20, which could depress the potential proceeds from a rights issue. As the two camps prepare for battle, the "poisoned apple" is rotting away.

# Metallgesellschaft may pass dividend after fall into loss

**By David Waller in Frankfurt**

Metallgesellschaft, the German metals, mining and industrial conglomerate, yesterday blamed a combination of falling metals prices, difficulties in the motor industry and restructuring costs for a swing from profits of DM245m last year to a pre-tax loss of DM347m ($205m) in the year ended September.

Mr Heinz Schimmelbusch, group chief executive, said that Metallgesellschaft would probably not pay a dividend for 1992-93, making the group one of the handful of leading German companies to pass their dividend this year.

However, he predicted that the group would return to profit this year, after extensive cost-cutting and further disposals.

He defended his previous ambitious acquisition strategy – which culminated in 1992 with the DM1.45bn acquisition of the non-paper activities of Feldmühle Nobel – saying that without large purchases the impact of the downturn would have been far more severe.

He said that the disposals programme, which has been under way for at least a year, was not a corrective to the earlier diversification but was to focus on five clearly defined business areas, ranging from metals trading to plant construction and environment services.

Mr Schimmelbusch said that sales of non-core businesses led to a book profit of DM378m in 1992-93 and are set to bring in another DM600m this year.

The chief executive said he was confident of cutting costs by DM1.1bn in the three years to 1995, half of which is to be achieved by losing more than 10,000 jobs. In the last two years the group has cut 7,400 jobs, 12 per cent of the workforce. Restructuring will concentrate on the Kolbenschmidt car components company and metals production.

The reported loss for the year – achieved on group turnover unchanged at DM25.5bn – included losses of DM290m on the Schiess machine-tools company which has subsequently been sold.

It was also hit by DM155m one-off restructuring costs. The contribution from asset sell-offs fell from DM711m in 1991-92, with the result that underlying losses halved last year.

# Tate & Lyle beats forecasts

**By Maggie Urry in London**

Record UK profit and currency gains helped Tate & Lyle to increase annual pre-tax profits by 17.4 per cent to £222.5m ($330m). That was above market expectations, which had been revised downwards in September when the sweeteners company warned of difficult trading conditions in the North American sugar market.

The shares gained 9p to 395p. A final dividend of 8.7p is proposed, which would raise the total from 12p to 13p, in line with Tate's policy of a "progressive" dividend.

Mr Neil Shaw, chairman, said the outlook for the current year was encouraging, with productivity gains and improved trading conditions expected.

He emphasised that Tate is primarily a processor of agricultural products and is exposed to influences such as the weather, crop sizes and government regulation. The group's main problems in the year were a bumper sugar beet crop in the US, leading to lower prices and government imposed limits on sales, and a glut of potato starch in Europe, hitting prices there. In each case, conditions were expected to improve in 1994.

Mr Shaw said he was "very pleased" by the approval given to the Nafta trade agreement in the US. Tate plans to expand its interests in Mexico, where it has a starch plant.

Tate is expanding in many developing countries, where the growth in consumption of its products is concentrated. In central Europe, it has set up a number of joint ventures, although it has yet to earn a normal return on its investment. Tate is now looking to establish joint ventures in China and south-east Asia.

Mr Paul Lewis, finance director, said cash-flow had been strong. Net debt fell by £15m to £627m, although the weak pound meant the translation of the group's debt, which is largely in US dollars, added £94m to borrowings.

Gearing was 78 per cent at the year end, down from 89 per cent a year earlier, in spite of a £20m write-down of UK property values. Mr Lewis said with interest cover of 5.7 times, up from 5, and given that it had written off £500m of goodwill over the years, the group was comfortable with its balance sheet.

Details, Page 21
Lex, Page 16

# Renault chief stands firm on terms of Volvo merger

By Kevin Done and John Ridding in Paris

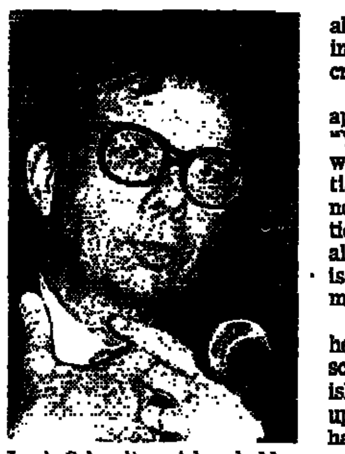
No changes can be expected to the terms of the proposed merger between Renault and Volvo, according to Mr Louis Schweitzer, chairman of Renault.

"The terms and conditions are final from the French side," Mr Schweitzer told the Financial Times late on Tuesday. "The deal is fair and we have fully answered the concerns of Volvo shareholders. This is it, there is a time for decisions," he said.

Mr Schweitzer yesterday met with a group of leading Volvo shareholders in Paris in an attempt to counter Swedish resistance to the proposed merger.

Opposition from Volvo shareholders has already forced the postponement of a vote on the deal – originally due earlier this month. A new vote has been set for December 7. A group of 12 Swedish institutions controlling 44 per cent of the votes in the Swedish company hold the key to approval of the deal.

The French government has sought to win backing for the merger by giving written commitments to Volvo shareholders concerning the two most controversial aspects of the



Louis Schweitzer: 'shareholder concerns fully answered'

deal: the timetable for privatisation, and the use of a golden share to be held by the state.

Last week, Mr Edouard Balladur, the French prime minister, wrote to Mr Carl Bildt, his Swedish counterpart, stating the French government's intent to privatise the merged company next year, and pledging that the golden share would not be used against Volvo.

Mr Schweitzer warned that a rejection of the planned merger between Renault and Volvo would damage existing co-operation between the two automotive groups, which are already engaged in a far-reaching alliance based on minority cross shareholdings.

"The momentum would disappear," said Mr Schweitzer. "You cannot work together without a strong sense of direction. And there would be none." He said recent disruption to the merger process had already slowed and destabilised efforts to build a joint management organisation.

The Renault chairman said he had been surprised by the scale of opposition from Swedish investors. "Emotions built up in a rather violent way and have overshadowed the issues and the progress we have made. It has become a political issue in Sweden," he said.

Mr Schweitzer stressed the industrial logic of the proposed merger, due to take effect from the beginning of next year. The cost-savings from joint purchasing, research and development and economies of scale would strengthen the two companies' car and truck operations.

Mr Schweitzer said the European automotive markets showed signs of bottoming out. He forecast a modest recovery in demand from mid-1994.

He said he was confident that Renault would remain profitable despite the protracted downturn.

# Dutch paper group falls to Fl 9m loss in third term

By Ronald van de Krol in Amsterdam and Robert Gibbens in Montreal

The continued weakness of European economies pushed KNP BT, the Dutch paper and packaging group, into a net loss of Fl 9m ($4.7m) before extraordinary items in the third quarter of 1993, compared with a net profit of Fl 7m the previous year.

The figures took results for the first nine months to a net loss before extraordinaries of Fl 25m, compared with a net profit of Fl 168m the year before.

KNP BT, which was formed from a three-way domestic merger in the Netherlands earlier this year, has already said that it plans to take a Fl 300m charge in 1993 to cover a restructuring.

The company said that market conditions were similar to those of the first two quarters. The paper sector continued to suffer from overcapacity and price pressure, while the graphic systems sector was still feeling the effects of reduced demand in southern Europe.

However, the company said that there were some signs of a hesitant improvement in business conditions.

The figures, which were slightly better than analysts had forecast, were released after the close of trading in Amsterdam.

Last week, the company's shares fell after a Belgian newspaper said that KNP BT's single biggest shareholder, Macmillan Bloedel, the Vancouver-based forest products group, wanted to sell its 16 per cent stake.

Macmillan Bloedel said yesterday that it would sell its stake "when the price is right". Mr Glen Ferguson, Macmillan Bloedel's vice-president and treasurer, said the sale of the KNP stake would depend mainly on market value and "it may be quite a way down the road".

In September, the Canadian company took up its share of a KNP BT rights offer, for C$55m (US$41.5m) to maintain its 16 per cent stake.

# Stora swings back to the black

By Christopher Brown-Humes in Stockholm

Stora, Europe's leading pulp and paper group, swung strongly back to profits in the third quarter of 1993, with a sharp reduction in financial costs offsetting persistent price weakness in its main markets.

Profits after financial items for the three months were SKr264m ($31.5m), compared with a SKr333m loss in the same 1992 quarter. The turnround took profits for the first nine months to SKr294m from a SKr496m deficit a year ago.

Mr Lars-Ake Helgesson, Stora president, said the market situation was "largely unchanged", with prices stabilising at low levels during the third quarter.

"The general economic picture in western Europe is weak, particularly in Germany," he said.

The benefit of the weaker krona lifted sales for the first nine months to SKr37.7bn from SKr35.4bn. However, operating income only increased by SKr8m to SKr850m.

The real impact on the result came from the drop in financial costs, to SKr556m from SKr1.39bn. The group has benefited from lower interest rates and a better trend within its financial services arm.

Cost-savings and new efficiency measures have helped the group compensate for lower prices. The company said it had already cut costs this year by SKr1.7bn. It expects savings for the full year to amount to SKr2bn, the same as in 1992.

The group did not give a full-year forecast, although it will show a clear improvement on last year's SKr1.42bn loss. Deliveries of the group's main products in 1993 are expected to be largely unchanged on last year.

● MoDo, another Swedish forestry group, said losses had nearly halved in the first nine months of 1993, to SKr476m from SKr925m a year earlier.

It said price pressures, losses from French operations, and heavy interest costs were keeping it in the red, even though the weaker krona and rationalisation had enhanced its competitiveness.

The group effectively predicted a full-year loss of around SKr600m by saying its final-quarter deficit would equal the SKr123m level struck in the third quarter.

The 25 per cent fall in the value of the krona helped nine-month sales rise to SKr12.55bn.

# Kwik Save warns of tougher supermarket competition

By Neil Buckley in London

Kwik Save, the UK's leading discount food retailer, yesterday unveiled a 14 per cent rise in pre-tax profits to £126.1m ($188m), but admitted the supermarket price war would make it hard to maintain its sales and profits growth of recent years.

Mr Graeme Bowler, Kwik Save's chief executive since June, said there had been an "unprecedented surge" in price competition as superstore chains had woken up to the changing nature of the UK food market.

"It will be harder to maintain the rate of growth in sales and profits we have experienced over the last five years," he conceded.

Mr Bowler countered City fears that Kwik Save had lost its edge on price by extending its range. He said its wider range set it apart from the "limited offer of mainly unknown brands" provided by newcomers to the UK discount market such as Germany's Aldi, Denmark's Netto, and France's Ed.

Kwik Save's sales for the year to August 28 increased 14.4 per cent to £2.86bn. Some 8.4 percentage points of the increase came from existing stores, with "no discernible inflation" in selling prices.

New stores added 6.1 points, with a handful of store closures removing 0.1 points.

Mr Derek Pretty, finance director, said gross margins were down slightly. The operating margin fell from 4.2 per cent to 4 per cent.

Mr Pretty also emphasised the group's strong cashflow, which enabled it to spend £103.2m on 69 new stores, store refits and new systems, without borrowing. Capital spending is expected to increase to £120m next year, with up to 80 new stores to be added to the existing 814.

Income from concessions within Kwik Save stores selling fresh foods – an important part of the Kwik Save formula – increased 23 per cent.

Earnings increased 15.1 per cent to 55.49p. The final dividend was 12.9p, bringing the total for the year to 18.3p, up 14.4 per cent. The shares closed down 9p at 573p.

Lex, Page 16

# France confirms oil sale agenda

By John Ridding in Paris

Mr Edmond Alphandéry, the French economy minister, yesterday confirmed that Elf-Aquitaine, the oil group, would be the first company to be privatised next year. He said the government's stake may be sold in tranches.

"It is a large amount, and it is not impossible that it could be sold in bits," Mr Alphandéry said, adding that no decision had yet been taken on the process of the sale.

The government's 50.8 per cent stake in Elf-Aquitaine has an estimated value of FFr50bn ($8.5bn), much larger than the FFr28bn raised through the privatisation of Banque Nationale de Paris; and the FFr13bn from the sale of the state's holding in Rhône-Poulenc, the chemicals group.

Industry observers say they expect the sale to be done in one block, although payment for shares could be done in instalments.

Mr Alphandéry was speaking after the government launch of a tender offer by which companies can bid for stakes in Banque Hervet, the small private bank to be sold as part of the privatisation programme.

The sale of 89 per cent of the shares in Banque Hervet, which is due to be completed by the beginning of 1994, will not be open to a public offer. It is expected to raise about FFr1bn.

# PowerGen move to cut prices

By Michael Smith in London

PowerGen, the UK power company, yesterday floated the idea of a significant change to price determination in England and Wales's electricity trading pool as it revealed a 10 per cent rise in pre-tax profits to £108m.

The suggestion comes ahead of a decision later this year by Professor Stephen Littlechild, the industry regulator, on whether to refer PowerGen and National Power, the other large UK generator, to the UK Monopolies and Merger Commission. His inquiry has been prompted by sharp pool price rises.

Mr Ed Wallis, PowerGen chief executive, said there was a strong argument in favour of the main determinant of the pool price being the average price of all generating plant needed to run the system.

The main determinant of the existing system is the "marginal" price, that is the cost of the most expensive plant. Invariably the marginal plant is owned by either National Power or PowerGen, who critics say have too much influence. Mr Wallis said moving to an average price system would overcome the perception that two big players dominated.

PowerGen's interim figures for the six months to October 3 showed the company's turnover fell 3 per cent from £1.3bn to £1.27bn. Earnings per share were up 13 per cent to 9.71p (from 8.58p) and the dividend, already announced, rises 18 per cent from 3.35p to 3.95p.

Mr Wallis said market share fell marginally from 26.3 to 26.1 per cent and predicted it would fall to 22 per cent by 1998. This compares with 30 per cent at privatisation three years ago.

The half year's performance was helped by a reduction of 200 in job numbers to 5,770 and a fall in coal stocks from 15.5m tonnes to 14.25m.

The company expects to cut stocks to 5m tonnes by 1997-98, with the bulk of the reductions achieved in the next two years.

An adjustment of about £16m is likely for pensions at the year-end results. Of the half-year charge of £13m, some £9m related to liability and damage claims.

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# Nobel little changed at SKr298m

By Hugh Carnegy in Stockholm

Nobel Industries, the Swedish chemicals group to be taken over by Akzo of the Netherlands, yesterday announced profits little changed at SKr298m ($35.6m) for the first nine months of 1993, from SKr304m last time.

However, the company said it was benefiting from low interest rates and the sharp fall this year in the value of the Swedish krona. It predicted that full-year profits would "improve somewhat" over the 1992 result of SKr237m.

Nobel and Akzo announced earlier this month an agreed deal under which Akzo would pay SKr16.6bn to take control of the Swedish company. Nobel is 73 per cent-owned by the state through Securum, a "bad bank" set up to group the bad debts of the state-owned Nordbanken.

When combined, Akzo-Nobel will be the world's biggest paints group and the second largest pulp and paper chemicals producer.

Nobel said currency hedging had blunted the effect of the falling Swedish krona, knocking SKr247m off operating profits in the nine months. The operating profit was down at SKr819m from SKr836m last time, in spite of a rise in sales, to SKr17bn from SKr15.8bn.

However the group, which has most of its production in Sweden, said the currency fall had strengthened its competitiveness. It said the unwinding of its hedged position would lead to stronger results in the first half of 1994.

# Warner-Lambert cuts drugs dependency

**Paul Abrahams on the US group's efforts to counter the effects of healthcare reform**

Warner-Lambert, the US drugs and consumer products group which this week announced a $468m restructuring plan, is going through the pharmaceuticals wringer.

Like other companies, Parke-Davis, its drugs subsidiary which is the 14th largest pharmaceuticals group in the US, has been hit by healthcare reforms in Europe and America. The speed of changes in the US, in particular, has taken the company by surprise, admits Mr Lodewijk de Vink, president and chief operating officer.

But the subsidiary's performance has also been affected by problems specific to it. Its growth has been severely limited since January, when the US patents of its best-selling drug, Lopid, a cholesterol-lowering treatment with sales last year of $556m, expired.

Revenues have also been undermined by running foul of the US Food and Drug Administration, which stopped production at six of its US and Puerto Rican plants.

The company believes this will cost it $150m in lost turnover this year. In addition, the group's tax rate is set to rise next year because of the US government's decision to limit tax credits for manufacturing in Puerto Rico.

Warner-Lambert's efforts to counter the expected decline in Lopid sales by launching new drugs have been dogged by problems.

Cognex, a treatment for Alzheimer's Disease, had a rough ride through the FDA, being rejected twice before finally being licensed in the US this September.

New York analysts HKS & Co believe the medicine could be held back by its limited efficacy and side-effect concerns, and annual sales could struggle to only $100m or reach $500m.

Warner-Lambert's latest response is to announce a further round of restructuring and rationalisation. About 2,800 of the group's 34,000 employees will leave the company. That follows job losses of 2,700 announced earlier in 1991.

Research and development spending – running at 18 per cent of drugs sales – is not sacrosanct, says Mr de Vink. "Research used to be a cost centre that was never questioned. We need to make some hard choices. We can't fish in every therapeutic pond, but I want more lines in each pond," he explains.

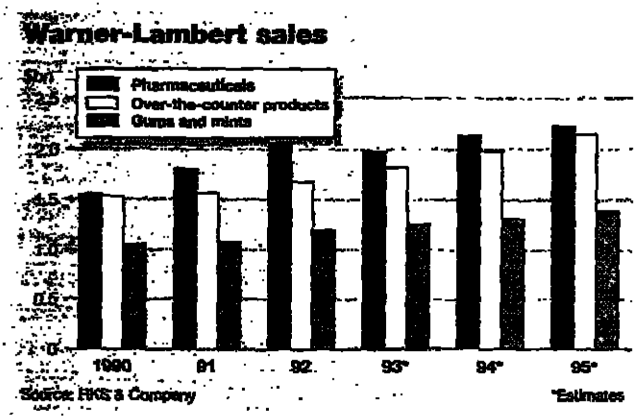
"The days of macho R&D spending – when more was necessarily better – are over. The industry's current level of spending on R&D is clearly unsustainable," he insists.

Although the pharmaceuticals division is clearly in trouble, the group is being supported from unexpected quarters.

Its confectionery operations and over-the-counter (OTC) non-prescription medicines business, with products ranging from Trident chewing gum to Clorets breath-fresheners, have traditionally been regarded as a burden because of their low margins compared with prescription pharmaceuticals.

"This is a $6bn company of which only a third is pharmaceuticals. The other two-thirds are not affected by healthcare reforms or patent expiries. Our diversity used to be a weakness. Now it's a strength," says Mr de Vink.

**Warner-Lambert sales**




Warner-Lambert has successfully created strong international brands capable of generating a steady, though unspectacular, stream of earnings growth. Some of its products, like Listerine mouth-wash, are more than 50 years old, but are still growing. The company actually created the mouth-wash market in Japan when it launched the product there.

The group is still expanding its consumer business through acquisition. In May it bought the Wilkinson Sword wet shave operations, building a $500m razor and blade business.

Meanwhile, Warner-Lambert has continued to build its OTC medicines business, the largest in the US. In July, the company secured access to Glaxo's Zantac and Wellcome's Zovirax, the two most important drugs capable of switching status from prescription only to OTC.

Mr de Vink's strategy to deal with expiry patents is to drive Warner-Lambert's generics business harder.

"Some of the returns are not bad. And we don't have to do the R&D," he explains. The operations will be more aggressive in future in an effort to keep plant operating at capacity. He does not exclude manufacturing drugs developed by other companies whose patents have expired.

The group's pharmaceuticals portfolio is, however, looking thin, apart from Cognex and Accupril, an ace inhibitor heart drug, which is doing well thanks to aggressive pricing. It should become a $250m product.

Meanwhile, Neurontin, an epilepsy treatment, has been filed with the FDA but is not yet approved. Mr de Vink says it should generate at least $100m a year.

Mr de Vink says he wants more products in the pipeline. "The typical life-cycle of a drug could be falling to only four or five years and if that is the case you have to have a lot more new products," he explains.

"The company is planning research alliances with other groups. In February it acquired 34 per cent of Jouveinal, a French drugs maker with an innovative pipeline. It already has an alliance with Rhône-Poulenc Rorer in antibiotics.

The efforts of Mr de Vink and his chairman and chief executive Mr Melvin Goodes, mean that in spite of Warner-Lambert's difficulties in pharmaceuticals, analysts expect the group to outperform most of the drugs sector in the medium-term. A not unimpressive achievement for a mouth-wash and chewing gum company.

# Lower demand takes its toll on electricity groups

By Emiko Terazono in Tokyo

Utilities

Japan's electric power utilities were hit by a fall in demand for air conditioning due to the cold summer and the economic slump.

Lower fuel costs, due to the stronger yen and a fall in crude oil prices, could not cover the decline in revenue from lower electricity demand, and eight of the nine electric power companies posted lower interim parent pre-tax profits for the half-year to September.

In spite of strong opposition from the utilities, the government has ordered electricity and gas rates to be cut in order to pass on the benefits of the higher yen to consumers. As a result, the electric power companies will lower rates for an 11-month period starting this month, and face a drop in income for the full year.

Tokyo Electric Power said total power consumption for the April-September period fell 0.7 per cent from a year earlier, depressing revenue from electricity sales. For the full year, the company expects a 14.8 per cent fall in pre-tax profits to Y135bn, on a 0.2 per cent rise in sales to Y4,710bn. The company expects the rate cuts to reduce its income by Y36bn.

Kansai Electric Power said sharp increases in repair-related spending and depreciation costs also squeezed profits. The company expects full year pre-tax profits to fall 19 per cent to Y100bn on a 0.1 per cent rise in sales to Y2,370bn.

Chubu Electric Power said its decline in pre-tax profit was due to a heavier interest burden from increased capital investments. For the full year to March, the company expects a 26 per cent drop in pre-tax profits to Y75bn on a 0.6 per cent fall in sales to Y1,850bn.

Kyushu Electric Power saw profits fall for the first time in three years due to typhoons and heavy rains. The company, which spent Y28.4bn on repairs, sees an 8 per cent fall in full year pre-tax profits to Y76bn on a 1.4 per cent rise in sales to Y1,280bn.

**INTERIM RESULTS 1993-94**

| | Sales (Ybn) | Change (%) | Pre-tax profit | Change (%) |
|---|---|---|---|---|
| Tokyo | 2,347.1 | - 0.1 | 58.5 | - 12.0 |
| Kansai | 1,205.7 | + 0.1 | 49.1 | - 3.7 |
| Chubu | 985.4 | 0.0 | 38.6 | - 15.4 |
| Kyushu | 651.9 | + 1.5 | 28.1 | - 6.7 |
| Tohoku | 651.2 | + 2.7 | 29.8 | - 0.6 |
| Chugoku | 487.4 | - 0.6 | 21.3 | - 4.1 |
| Hokkaido | 265.6 | + 5.6 | 26.7 | + 58.1 |
| Shikoku | 234.3 | + 1.3 | 19.8 | - 4.2 |
| Hokuriku | 225.2 | + 0.8 | 9.8 | - 27.7 |

Source: Company results

# Battle to clean up in Indian market

Unilever and Procter & Gamble, champions of soaps and detergents markets around the world, are preparing to do battle in a country with 880m potential consumers. Not far behind them are other multinationals, including Henkel and Benckiser of Germany and Kao of Japan.

Even two years ago, the prospects of the world's largest soaps and detergents makers buying control of local competitors in India would have been unthinkable. Now, economic liberalisation is freeing companies to fight for a market, which is already worth Rs23bn ($733m) and is growing at an annual average of 10 per cent.

**Competition in soaps and detergents is growing, says Naazneen Karmali**

Mr Sushim Datta, chairman of Hindustan Lever – the Indian affiliate of Unilever, the Anglo-Dutch combine – says that competition is all set to intensify. "There's going to be a fierce battle for shelf space."

Unilever, which has been operating in India since before independence in 1947, is buying control of the Tata Oil Mills Company (Tomco), the 75-year-old soaps and detergents company of the Tata group. In March, the boards of the two companies approved the merger of Tomco with Hindustan Lever which has annual turnover of Rs20bn, two-thirds of it in detergents.

P&G, a relative newcomer to India, last December struck a deal with Godrej Soaps, a privately-owned manufacturer with annual sales of Rs5bn. They formed P&G Godrej, a joint venture in which P&G took a 51 per cent stake. Mr Adi Godrej, chairman of the new company, says joining forces made sense because "a major competitor is a partner now."

By buying out strong home-grown brands, Unilever and P&G have deftly eliminated local competition and acquired wide-ranging distribution networks.

The partnership with Tomco gives Hindustan Lever a considerable presence in the market, with an overall share of 26 per cent in volume terms. In toilet soaps, with the addition of Tomco's soaps to its own best-selling brands, Hindustan Lever now has a 70 per cent market share. The Monopolies and Restrictive Trade Practices Commission is examining claims that the merger would make the multinational an over-dominant force in the market.

For P&G, the corporate matchmaking is even more significant. Before signing up with Godrej, P&G's presence in India was limited to one product – Ariel, an enzyme-based detergent concentrate powder which was launched two years ago. P&G's range now includes Godrej's detergents and soaps that collectively have a 10 per cent market share. P&G has also bought into Godrej's distribution system and has gained access to Indian soap technology. This is based on vegetable oils rather than animal fats, which are extensively used elsewhere in the world but which are taboo in India.

Ever since Lever earlier this year introduced Surf Ultra in response to Ariel, a squabble has broken out between the two companies, which has included allegations of false advertising claims and unfair selling tactics.

The concentrated powder segment that they have been quarrelling over is tiny – less than 2 per cent of the total detergent market. Hindustan Lever's general sales manager, Mr Rajendra Anaja, calls it "a battle in sheer futility…it's more a prestige issue". Selling Ariel has been a strain on P&G's bottom line; in the last two years the company has suffered accumulated net losses of Rs210m.

Lever and P&G also have others to worry about: Germany's Henkel has a joint venture with Southern Petrochemical Industries; Benckiser, also German, has an office in Delhi; and Kao, the Japanese group, is eyeing the Indian market.

For Indian consumers, it means a belated range of choice – not to mention a dazzling display of marketing from some of the top consumer products companies.

# Argentine sale set to raise $130m

By John Barham in Buenos Aires

Argentina is poised to raise more than US$130m with the sale of the government's remaining minority stake in the semi-privatised electricity generator, Central Puerto.

Strong demand allowed the government on Monday to raise its maximum price for the shares by 8 per cent, to $5.40. However, economy minister Mr Domingo Cavallo announced on Tuesday that the government would offer its 30 per cent stake at $5.30 a share.

Mr Cavallo fixed the price slightly below the ceiling in order to attract longer-term buyers and to deter speculation. However, analysts expect trading in the Buenos Aires "grey" market to be fierce, given that the issue was heavily oversubscribed.

The government sold 60 per cent of Central Puerto for $92.2m in April 1992 to a consortium led by Chilgener of Chile. The company's employees hold the remaining 10 per cent.

The next semi-privatised company in line for stock market flotation is expected to be Central Costanera, a larger generator, which could be ready for an international offering in December.

The government is expected next year to offer its minority stakes in 10 gas transport and distribution companies.

● Argentina plans to raise $750m next month from the sale of global bonds, the proceeds of which will be used to refinance maturing debt. Officials had earlier indicated that the offering would be around $500m. Pricing of the bonds should be detailed next month.

# Royal Bank of Canada cuts jobs

Royal Bank of Canada plans to cut almost 3,000 jobs from its worldwide workforce of 47,600 in 1994 as part of its integration with Royal Trust, Reuter reports from Toronto. The Bank said 1,100 jobs will be cut from Royal Trust from its 5,000 workforce, and the 142 Royal Trust branches reduced by 43.

Royal Bank said this month it planned restructuring charges of C$300m (US$226m) and C$110m on streamlining. The charges, with increased provisions for losses on real estate loans, will result in a fourth-quarter loss of C$1.50 per share.

# US placing by Finmeccanica

By Haig Simonian in Milan

Finmeccanica, the Italian state-controlled engineering group, yesterday completed the second of two cash-raising exercises by placing 40 per cent of its Union Switch & Signal subsidiary in the US.

US&S was bought by Finmeccanica's quoted Ansaldo Trasporti unit in 1988 to broaden its coverage of the railway equipment and signalling business.

The flotation, raising almost $49m through the sale of 3.25m shares at $15 each, will give Ansaldo a $30m boost via a special one-off dividend. The remaining proceeds will be used to reduce US&S's short-term debt.

Yesterday's transaction echoes last week's US initial public offering of Finmeccanica's Elsag Bailey Process Automation subsidiary.

The transaction involved the flotation of 8.12m shares at $19 each, raising more than $150m.

About 35 per cent of the total share capital was placed, with an option to sell a further 5 per cent. The proceeds will be used to cut debt at both Elsag Bailey and the Finmeccanica parent company.

Both deals are part of a rapid income raising drive by Finmeccanica, which is facing a depressing year because of the recession and heavy losses at its Alenia aerospace subsidiary.

Finmeccanica announced a first half pre-tax loss of L159.9bn ($94.5m), against net profits of L180.5bn in 1992. Analysts say the group should reach break-even in the full year, boosted by the extraordinary receipts from this month's two US transactions.

# Fujitsu takes control of HaL

By Louise Kehoe in San Francisco

Fujitsu of Japan is to acquire HaL Computer Systems, a California company that is developing high performance open systems computers. Previously, Fujistu held a 44 per cent stake in the US company.

HaL will become a wholly owned subsidiary of Fujitsu and will serve as the principal development centre for advanced 64-bit open systems hardware and for operating systems products for the Fujitsu group of companies.

"This agreement is good for Fujitsu and HaL's employees because HaL now assumes an expanded development responsibility with greater importance to Fujitsu's open systems strategy," said Mr Scott Metcalf, president of HaL.

Fujitsu also announced it had signed a contract with Dell Computer to market Dell's personal computers to corporate clients in Japan.

Dell said the move was intended to broaden the company's reach in Japan, where it has a sales force of only 30 people. Under the agreement, PFU, a unit of Fujitsu, will also provide service and support for Dell computers in Japan.

● Mr Paul Allen, Microsoft co-founder, added to his high-technology portfolio by buying part of a company that makes what it calls "personal viewing systems", Reuter reports from Washington.

Allen's Vulcan Ventures investment group has become the second-largest investor in Virtual Vision. Privately held Virtual Vision is funded by "a group of silent investors who represent a wide range of industries in the Pacific Northwest," the company said.

Its chief product is a device that looks like a pair of eyeglasses but projects a full-screen colour video image several feet in front of the user.

# Goodrich to sell rest of offshoot

By Richard Waters in New York

BF Goodrich, the speciality chemicals and aerospace group, launched a public offering to sell its remaining 49.5 per cent interest in the Geon subsidiary which it floated earlier this year.

The proceeds from the sale, put at $348m before tax, will be used to fund part of the $300m acquisition of Emerson Electric's Rosemount aerospace division, announced two weeks ago.

The two transactions mark the culmination of Goodrich's plan to narrow the scope of its operations to speciality businesses which it believes have good profit growth potential, and move away from cyclical businesses.

The company has said it expected earnings next year to be significantly ahead of the 60–70 cents a share projected for this year.

The 12.9m shares in Geon, a maker of polyvinyl chloride, have been offered at $20 each.

This is below the current market price, which edged down to $20⅝ on the news, but still ahead of the $18 at which Goodrich floated its first 13.1m shares in the company in April.

The company reported a one-off pre-tax gain of $91.9m after the flotation, suggesting that the fourth-quarter gain from the latest sale will top $100m.

# HSBC to make HK$3bn FRN issue

By Simon Holberton

The Hongkong and Shanghai Banking Corporation, the principal subsidiary of HSBC Holdings, is raising HK$3bn (US$388m) through a 10-year "collared" floating rate note in its first external fund raising since 1986.

The bond will pay a rate of interest equal to 25 basis points above the three-month Hong Kong interbank offered rate (Hibor), and is subject to a minimum rate of 7 per cent and a maximum of 9 per cent.

Analysts said the terms of the financing appeared expensive for a bank of Hongkong Bank's quality in the market.

However, it is understood that Wardley, which is arranging the issue, has developed a mechanism for hedging the 7 per cent to 9 per cent collar which will provide the bank with attractive Hibor-related funding over its life.

The bank said yesterday that the proceeds of the bond issue will be used to develop and expand its business, pointing to planned infrastructure projects, in Hong Kong, such as the building of an airport and the expansion of the colony's container port.

The bond is redeemable in six years. Its worth, to the bank as capital, however, will diminish when the bond is five years old, when the bank will have to begin to amortise 20 per cent of the bond a year.

# Bell, Stet in tender for Matav

By Nicholas Denton in Budapest

Stet, the Italian state-owned telecom utility, and its consortium partner Bell Atlantic, the US regional operator, have entered the leading first-round bid in Hungary's telecom privatisation tender.

Stet International and Bell Atlantic are believed to have offered between $800m and $850m for the 30 per cent shareholding in Matav, the Hungarian national operator, in eastern Europe's largest single privatisation so far.

The figure comfortably betters submissions made by two groups which had been regarded as the strongest contenders in the Matav sale.

Deutsche Telekom of Germany, in alliance with the UK's Cable & Wireless and regional Bell company Ameritech, is understood to have bid $420m-$500m. France Telecom, linked with US West, another Baby Bell, is thought to have offered over $450m.

The German and French-led proposals also lag behind that of Telefonica of Spain, the fourth competitor to be short-listed, although estimates of Telefonica's bid vary.

None of the groups would officially confirm the figures. Advisers also warned that consortium bids were "apples and pears" and not wholly comparable. Stet in particular worked on the assumption that Matav will continue to dominate local telephone services.

Stet's lead in the first round of preliminary, "indicative" bids is no reliable guide to the outcome of the second and decisive phase. Final bids are due on December 14 and the Budapest authorities hope to complete the transaction by the end of the year.

The European Bank for Reconstruction and Development and the World Bank's International Finance Corporation are to invest a combined $90m in Matav.

The EBRD is committing $60m and the IFC $30m to buy preference shares convertible into ordinary shares after Matav's privatisation.

The price of the transaction will be determined by the value of the winning bid for the 30 per cent shareholding in Matav.

The two institutions intend to sell their shareholdings to Hungarian investors.

Matav needs the infusion of funds to complete its Ft33bn ($330m) investment plan for 1993 without resorting to expensive debt financing.

# Japanese underwear group advances 5%

By Emiko Terazono

Wacoal, Japan's leading women's underwear manufacturer, saw firm interim profits due to rationalisation of sales and advertising costs, but lower sales due to sluggish demand for its nightwear and sportswear.

The company posted a 5.1 per cent rise to Y6.6bn ($60m) in pre-tax profits for the first six months to September.

Sales slipped 1.7 per cent to Y65bn, but after-tax profits rose 14.4 per cent to Y3.5bn.

Its mainstay underwear sales rose 4.8 per cent to Y49.8bn.

However, nightwear sales fell 12 per cent to Y6.1bn and its outerwear and sportswear sales plunged 25.6 per cent to Y3.6bn.

Wacoal said its profits offset the fall in interest income due to lower interest rates.

Interest gains plunged 39.6 per cent to Y689bn for the first half.

Company officials said profits rose on the after-tax level as the company posted special gains of Y803m thanks to the sale of securities holdings.

The company expects continued sluggish demand for clothing during the second half, and foresees a 2.3 per cent decline in full-year pre-tax profits to Y10.3bn on a 0.4 per cent rise in sales to Y128bn.

After-tax profit is forecast at Y5.2bn, up 2.1 per cent.

# Guoco plans listing for bank subsidiary

By Simon Holberton in Hong Kong

Guoco Group plans to list Dao Heng Bank, its wholly-owned banking subsidiary, early next month, company executives confirmed yesterday.

Dao Heng is Hong Kong's fourth largest bank in terms of assets and number of branches in Hong Kong. Earlier this year it acquired Overseas Trust Bank (OTB) for an estimated HK$4.5bn (US$58m) and promised a stock market flotation later in the year.

Guoco will issue 38.52m shares to the public – equal to 5.87 per cent of the bank's enlarged capital – at a price of HK$21.70 each.

In addition, 151.75m shares (23.13 per cent of the bank's capital) will be offered to holders of US$350m worth of convertible preferred stock which was issued to fund the acquisition of OTB.

The issue price represents a prospective price/earnings ratio of 14.5 on a fully-diluted basis.

Dao Heng's net tangible assets value has been put at HK$8.46 a share.

Guoco, which is controlled by the Kwek family of Singapore, will retain a 71 per cent interest in Dao Heng.

# Proton posts marginal increase to M$135m

By Kieran Cooke in Kuala Lumpur

Proton, the Malaysian car manufacturer, has announced pre-tax profits for the six months to September 30 1993 of M$135m (US$52.9m), compared with M$130m a year ago.

Turnover rose substantially to M$1.36bn, compared with M$908m previously. This was mainly due to high demand for a new model launched on the home market in mid-year.

Analysts said that the marginal rise in profit was due to the increased cost of imported parts. Proton cars are manufactured in partnership with Mitsubishi of Japan, and the company has suffered from the appreciation of the yen.

Proton has a 70 per cent share of the domestic market and is seeking to increase exports, particularly to Europe. It expects an improved performance in the second half of the financial year.

# NCR reduces workforce

By Louise Kehoe

NCR, the computer subsidiary of AT&T, yesterday unveiled details of a redundancy programme to reduce its worldwide workforce by 12 to 15 per cent.

The company said it would take unspecified charges to cover the redundancies in the first quarter of next year.

NCR said it was offering voluntary severance incentives to US employees who agreed to leave the company by the end of January.

Of the approximately 27,000 NCR employees in the US, about 25,000 are eligible for voluntary separation and 5,500 for early retirement.

Mr Jerre Stead, NCR chairman and chief executive, said the company recently announced a new, customer-focused business model, which called for fewer layers of management between NCR and its customers.

# Israel reviews bank sell-offs after Hapoalim setback

By Julian Ozanne in Jerusalem

Israel's government was yesterday reviewing its large bank privatisation programme after investors spurned the latest issue of 10 per cent of Bank Hapoalim, Israel's largest bank, offered on the Tel Aviv stock market.

The government managed only to sell 69 per cent of its 1.2m share offer, raising Shk403m ($139m), Shk200m less than expected. A further 1 per cent of shares were sold to employees at a discounted price, raising Shk43.7m. The government's first offer of 20 per cent of Bank Hapoalim in May was oversubscribed 2.2 times and raised Shk780m.

Bankers and stock market analysts yesterday blamed the government for mismanaging the share issue and warned of similar results at next week's offer of 10 per cent of Bank Leumi unless technical changes were made to the structure of the issue. They said the government had ensured the flop by abolishing the maximum share price, leaving out underwriters and refusing to attach options or warrants. The elimination of the maximum price on the issue meant there was no pre-sale to institutional investors.

"The new structure of the issue precluded investors that usually invest on the first day to make a quick killing. Basically, the concept of the market was if there is an availability of shares on the market at a known price then why go through the process of allocation without knowing what the price will be," said one banker.

"The problem was with the technical structure of the issue not with the financial attractiveness of Bank Hapoalim," he added. Shares in Bank Hapoalim offered by the government in May have appreciated 30 per cent in real terms in the past six months.

The government said yesterday it was committed to next week's sale of 10 per cent of Bank Leumi, Israel's second largest bank, in spite of the failure of the Bank Hapoalim issue. But market experts said unless the structure of the issue was changed investors would spurn the Bank Leumi offer.

## INTERNATIONAL CAPITAL MARKETS

# Attention turns to German regional inflation figures

By Sara Webb in London and Patrick Harverson in New York

The latest batch of west German regional inflation figures provided the main focus of attention for the European government bond markets yesterday as market participants were anxious to see whether they would provide the Bundesbank with an excuse to lower key interest rates next month.

### GOVERNMENT BONDS

German government bonds ended little changed, with the release of the cost-of-living figure for the state of Hesse providing the main highlight of the day.

The cost of living rose 0.3 per cent in the month to mid-November, giving a year-on-year increase of 3.8 per cent which was in line with market expectations, dealers said.

The other west German states of Baden-Württemberg, North Rhine-Westphalia, and Bavaria are due to report their cost-of-living data over the next few days.

Consumer prices for western Germany are expected to climb about 3.7 per cent in November from a year earlier, down from the October figure of 3.9 per cent. Some market participants believe this would enable the Bundesbank to cut its key Lombard and discount rates in December – in spite of the higher-than-expected money supply figures for October which came out earlier this week.

At its repo, the Bundesbank added a net DM12.2bn to the banking system. The funds were allotted at a fixed rate of 6.25 per cent, down from 6.29 per cent the previous week.

■ Italian government bond prices bounced back again, with prices rising across the yield curve and making up for some of the ground lost earlier in the week.

Dealers said long-dated bonds outperformed the short end of the market, with the 10-year yield spread over three-year bonds moving to around 30 basis points, compared with about 55-60 basis points a week ago. Traders reported some selling out of the Asia Pacific yesterday, particularly in the three-to-five year area, but said some semblance of calm had been restored to the market when it appeared unlikely that approval of the 1994 budget would be jeopardised by the recent political upsets.

■ Long-dated UK government bonds continued to benefit from the positive sentiment about the low inflation background yesterday, while short-dated issues drifted lower as investors ruled out the prospect of another interest rate cut in the immediate future.

After the excitement of Tuesday's half-point cut in the base rate – which prompted a flurry of activity – the gilt market experienced a somewhat calmer trading session yesterday.

Short-dated stocks closed about ⅛ point lower while long-dated issues gained nearly ⅛ point, helped by extension trades. The moves resulted in a flattening of the gilt yield curve.

■ US Treasury prices held their ground in positive territory yesterday in the wake of some mixed economic news.

By midday, the benchmark 30-year government bond was up $\frac{1}{32}$ at 99$\frac{1}{32}$, yielding 6.296 per cent. At the short end of the market, the two-year note was unchanged at 100$\frac{1}{32}$, to yield 4.184 per cent.

After Tuesday's big rally, investors and dealers set about consolidating their gains. There was nervousness that a round of strong economic data would spark off fresh selling, but fortunately yesterday's news on the economy was not consistent enough to drive the market lower.

Although durable goods orders rose 2.0 per cent in October – the third consecutive monthly gain – weekly jobless claims came in weaker than expected, and the University of Michigan's consumer sentiment index showed a decline to 81.2 in November from 82.7 in October.

■ Japanese government bond prices ended mixed with the yield curve steepening sharply in the four to 10-year area.

Continued weakness in the Japanese stock market helped to support prices at the short end of the bond market. Money market prices edged lower as yesterday's fall in share prices once again revived hopes that the Bank of Japan will cut interest rates.

# Swift offers price cuts and rebate

By John Gapper, Banking Editor

Swift, the electronic network owned by 3,000 banks, yesterday responded to growing competition to handle cross-border payments by announcing a 20 per cent rebate for its customers this year, and a 16 per cent price cut for 1994.

Swift, which passes payment and settlement messages between banks over an electronic network run from Brussels, said the price cuts would save customers BFr1.5bn next year and reduce the minimum message tariff to BFr6.

The price cuts come at the end of a year in which several consortia of banks have disclosed plans to provide customers with cheaper and faster cross-border payments. Visa, the credit card group, is piloting a new system.

Mr Leonard Schrank, Swift's chief executive, said it was cutting prices because it faced increasing competition.

Mr Schrank said Swift was facing competition not only from some of its member banks but from card companies and European telecommunication companies. "We will not be the lowest cost producer, but we will lower," he said.

Swift was founded in 1973 to transfer to an electronic network standard bank transactions which had been carried out by telex and other methods until then. It comprises both a data network, and a standard method of communicating.

The number of electronic messages carried by Swift this year rose by 12 per cent, partly because of the turbulence in currency markets. The network provides foreign exchange matching and netting among settlement services. Some competitors have argued that Swift charges too much for data transfer because its cost base is excessive. The network employs 1,100 people in 93 countries.

Among the systems now competing to transfer small payments across borders is Ibos, the system run by Royal Bank of Scotland, Banco Santander, Crédit Commercial de France and Banco de Comercio e Industria in Portugal.

# Long-term debt ratings at Ontario downgraded by S&P

By Antonia Sharpe

Standard & Poor's surprised the market yesterday when it cut the long-term debt ratings of the province of Ontario and Ontario Hydro to double-A minus from double-A.

Yield spreads on Eurobonds issued by Ontario had tightened over the last week in the hope that S&P would not cut the province's rating, which had been placed on CreditWatch with negative implications on October 4.

### INTERNATIONAL BONDS

S&P said the downgrade reflected the weakened resolve of the Ontario government to take unpopular expenditure adjustments in order to meet its deficit targets in 1993-94 in the face of unexpected revenue deterioration. The move reflected S&P's view that deficit targets for succeeding years outlined in the province's medium-term plan would be missed. S&P removed Ontario's rating from CreditWatch yesterday and said that the rating outlook was stable.

Yield spreads on Ontario's Eurobonds widened by a couple of basis points after the news broke. However, traders said that the news had removed the uncertainty which had been hanging over the market.

S&P's move allows Ontario to break its self-imposed exile from the Eurobond market. Syndicate managers expect the province to launch a long-dated Eurodollar offering in the near future.

There was speculation that Ontario might consider a Eurobond offering in the D-Mark sector now that international sanctions against South Africa had been lifted. Canadian issuers shunned the D-Mark sector while the sanctions were in force because of the German banks' links with South Africa.

Elsewhere, Henderson Land, the Hong Kong property developer, raised $300m through a widely-expected offering of five-year Eurobonds. The bonds, which were priced to yield 95 basis points over US Treasuries, had a mixed reception. Some syndicate managers said the bonds looked expensive when compared with the borrower's offering of three-year convertible Eurobonds.

If Henderson Land does not proceed with the public sale of shares in Henderson China within three years, the bonds will yield 6.6 per cent to maturity. This represents a yield spread over US Treasuries of about 260 basis points.

Lead manager Goldman Sachs said the bonds were priced in line with yield spreads on bonds issued by Hong Kong corporate borrowers. Goldman said a good portion of the bonds had been sold yesterday, with about 65 per cent being placed in Asia Pacific. The bonds remained in syndicate overnight.

Sociedad Comercial del Plata of Argentina plans to launch a $100m, five-year Eurobond issue on Monday with a spread of between 340 and 380 basis points over US Treasuries, lead manager Paribas said yesterday.

The launch depends on gaining the expected permission from the Argentine securities commission. The company – a conglomerate mainly involved in public services, energy and construction – aims to use the issue to pay off short-term debt incurred during its purchases of stakes in Argentine utilities during the privatisation process.

### NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book runner |
|---|---|---|---|---|---|---|---|
| US DOLLARS | | | | | | | |
| Henderson Land Finance | 300 | 6.00 | 99.15R | 1998 | 0.50R | - | Goldman Sachs |
| IMI Bank Intl.† | 150 | (a) | 99.77R | 1998 | 0.25R | - | Swiss Bank Corp. |
| City of Uppsala‡ | 110 | (b) | 99.6875R | 1998 | 0.20R | - | Nomura Intl. |
| CSAV | 100 | 7.375 | 99.34R | 2003 | 0.75 | +170(5¾%-03) | Citibank Intl. |
| D-MARKS | | | | | | | |
| Nikon Chemicals‡(c) | 150 | 1.625 | 100 | 1997 | 2.25 | - | Daiwa Europe |
| PESETAS | | | | | | | |
| European Investment Bank | 20bn | 7.90 | 101.39 | 1998 | 1.625 | - | Banco Bilbao Vizcaya |
| YEN | | | | | | | |
| Marubeni Corp. | 10bn | 3.00 | 100.85R | 1998 | 0.25 | - | Bank of Tokyo |
| FRENCH FRANCS | | | | | | | |
| SNCF(d) | 3.0bn | 6.00 | 98.46R | 2008 | 0.35R | (d) | Credit Lyonnais |
| SWISS FRANCS | | | | | | | |
| City of Vienna‡ | 100 | 4.00 | 101.75 | 1996 | - | - | Merrill Lynch |
| GUILDERS | | | | | | | |
| VSB Groep | 250 | 6.25 | 100.35R | 2004 | 0.25R | - | KBW Effectenbank |

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. †Private placement. ‡With equity warrants. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Coupon pays 3 month Libor plus 30bp. b) Coupon pays 6 month Libor plus 0.1875%. c) Fungible with existing 4bn FFr. issue. Issue is split into two tranches 1.5bn for Intl and 1.5bn for domestic markets. Spread is 17bp over the average yield of the OAT 8½-2004 and the OAT 8½-2005. d) Exercise period is from 10/1/94 until 10/12/97. Fixing 29/11/93.

# IFR underwriting survey

By Tracy Corrigan

Most borrowers consider distribution capacity the top priority in selecting an underwriter for Eurobond issues, according to a survey by IFR. Next in importance are new issue pricing, secondary market support and impartiality. However, the survey belies protests by underwriters that league tables are not important: 51 per cent of respondents ranked position in league tables either second or third on a scale of one to six.

In the Eurodollar bond market, Goldman Sachs is the top underwriter, with perceived strength in generating new ideas and giving impartial advice.

In the sterling Eurobond market, UBS and CS First Boston topped the table. Only two UK houses, Barclays de Zoete Wedd and SG Warburg, made it to the top five. Borrowers said they received a better service in sectors which were open to competition from foreign banks.

● *Borrowers Survey '93; published by IFR Research, 11 New Fetter Lane, London EC4A 1JN.*

## WORLD BOND PRICES

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Day's change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| Australia | | 10.000 | 10/02 | 121.1200 | +0.510 | 6.80 | 6.63 | 6.47 |
| Belgium | | 9.000 | 03/03 | 113.9100 | +0.140 | 6.92 | 6.83 | 7.12 |
| Canada * | | 7.500 | 12/03 | 103.9500 | -0.050 | 6.95 | 6.77 | 6.77 |
| Denmark | | 8.000 | 05/03 | 110.6700 | -0.030 | 6.45 | 5.83 | 6.40 |
| France | BTAN | 8.500 | 05/98 | 109.0800 | -0.100 | 5.40 | 6.08 | 6.11 |
| | OAT | 6.750 | 10/03 | 104.9800 | +0.070 | 6.07 | 5.96 | 5.91 |
| Germany | | 6.000 | 09/03 | 100.8200 | +0.050 | 5.88 | 5.85 | 5.90 |
| Italy | | 9.000 | 10/03 | 98.1400 | +1.380 | 9.29† | 9.15 | 9.40 |
| Japan | No 119 | 4.800 | 06/99 | 108.9060 | +0.050 | 2.94 | 2.97 | 3.08 |
| | No 157-4 | 4.600 | 03/03 | 107.4950 | - | 3.55 | 3.58 | 3.71 |
| Netherlands | | 6.500 | 04/03 | 104.5800 | +0.100 | 5.85 | 5.76 | 5.82 |
| Spain | | 10.500 | 10/03 | 112.2000 | +0.150 | 8.62 | 8.48 | 8.50 |
| UK Gilts | | 9.750 | 01/98 | 112-29 | -4/32 | 6.13 | 6.11 | 6.22 |
| | | 8.000 | 06/03 | 108-26 | -2/32 | 6.73 | 6.67 | 6.87 |
| | | 9.000 | 10/08 | 117-26 | +4/32 | 7.05 | 7.02 | 7.21 |
| US Treasury * | | 5.750 | 08/03 | 99-22 | +10/32 | 5.79 | 5.59 | 5.43 |
| | | 6.250 | 08/23 | 99-11 | +12/32 | 6.30 | 6.13 | 6.01 |
| ECU (French Govt) | | 6.000 | 04/03 | 110.7000 | +0.350 | 6.44 | 6.30 | 6.45 |

London closing, *New York mid-day. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

### BOND FUTURES AND OPTIONS

#### France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 123.70 | 123.72 | +0.28 | 123.80 | 123.56 | 9,524 | 156,319 |
| Mar | 127.46 | 127.52 | +0.32 | 127.58 | 127.32 | 265 | 42,228 |
| Jun | 126.92 | 126.98 | +0.32 | 126.92 | 126.86 | 20 | 2,654 |

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

| Strike Price | Calls Dec | Calls Mar | Calls Jun | Puts Dec | Puts Mar | Puts Jun |
|---|---|---|---|---|---|---|
| 122 | - | - | - | - | - | - |
| 123 | 0.72 | - | - | 0.01 | 0.13 | - |
| 124 | 0.06 | - | - | 0.38 | 0.20 | - |
| 125 | 0.01 | - | - | - | 0.36 | - |
| 126 | - | - | 2.12 | - | 0.60 | 1.22 |
| 127 | - | 1.42 | - | - | 0.93 | - |

Est. vol. total, Calls 18,287 Puts 13,577. Previous day's open int., Calls 317,768 Puts 261,909.

#### Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 99.68 | 99.57 | 0.05 | 99.74 | 99.45 | 72590 | 127904 |
| Mar | 99.78 | 99.68 | 0.04 | 99.84 | 99.58 | 4059 | 28695 |
| Jun | 99.70 | 99.59 | 0.05 | 99.70 | 99.64 | 668 | 50 |

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

| Strike Price | Calls Mar | Calls Jun | Puts Mar | Puts Jun |
|---|---|---|---|---|
| 9950 | 0.91 | 1.19 | 0.73 | 1.10 |
| 10000 | 0.67 | 0.96 | 0.99 | 1.37 |
| 10050 | 0.49 | 0.76 | 1.31 | 1.67 |

Est. vol. total, Calls 15197 Puts 9361. Previous day's open int., Calls 105210 Puts 45660

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 102.90 | 102.90 | 0.11 | 102.92 | 102.77 | 2150 | 22217 |
| Mar | | 103.03 | 0.10 | | | 0 | 12 |

#### Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 112.20 | 112.37 | 0.83 | 112.70 | 111.83 | 51612 | 86673 |
| Mar | 112.20 | 112.55 | 0.86 | 112.85 | 111.98 | 12007 | 22790 |
| Jun | 111.85 | 112.55 | 0.61 | 111.85 | 111.85 | 1 | 0 |

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

| Strike Price | Calls Mar | Calls Jun | Puts Mar | Puts Jun |
|---|---|---|---|---|
| 11250 | 2.28 | 3.14 | 2.23 | 3.09 |
| 11300 | 2.05 | 2.90 | 2.50 | 3.35 |
| 11350 | 1.82 | 2.67 | 2.77 | 3.62 |

Est. vol. total, Calls 4382 Puts 1134. Previous day's open int., Calls 15324 Puts 17771

#### Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 102.33 | 102.29 | +0.19 | 102.40 | 102.15 | 22,012 | 84,486 |
| Mar | 102.40 | 102.43 | +0.05 | 102.60 | 102.32 | 2,112 | 9,882 |
| Jun | - | 104.00 | - | - | - | - | 50 |

#### UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 115-23 | 115-09 | -0-06 | 115-25 | 115-04 | 92077 | 96592 |
| Mar | 115-01 | 114-19 | -0-07 | 115-02 | 114-16 | 36727 | 27790 |
| Jun | - | 113-29 | -0-03 | - | - | 0 | 0 |

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

| Strike Price | Calls Mar | Calls Jun | Puts Mar | Puts Jun |
|---|---|---|---|---|
| 114 | 2-04 | 2-33 | 1-30 | 2-39 |
| 115 | 1-35 | 2-04 | 1-61 | 3-10 |
| 116 | 1-08 | 1-43 | 2-34 | 3-49 |

Est. vol. total, Calls 5993 Puts 1063. Previous day's open int., Calls 30895 Puts 11623

#### Ecu

■ ECU BOND FUTURES (MATIF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 119.64 | 119.82 | +0.34 | 119.80 | 119.64 | 122 | 11,570 |
| March | 119.22 | 119.32 | +0.34 | 119.30 | 119.22 | 10 | 1,041 |

#### US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 115-18 | 115-22 | -0-01 | 115-25 | 115-09 | 374,423 | 247,885 |
| Mar | 114-11 | 114-13 | -0-01 | 114-16 | 114-00 | 24,357 | 73,792 |
| Jun | 112-31 | 113-11 | - | 113-12 | 112-31 | 222 | 8,512 |
| Sep | - | 111-25 | - | - | - | 823 | 12,393 |

#### Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

| | Open | Close | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 114.72 | | | 114.73 | 114.60 | 83 | 0 |
| Mar | 113.89 | | | 113.96 | 113.82 | 1199 | 0 |

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

### FT-ACTUARIES FIXED INTEREST INDICES

| Price Indices UK Gilts | Wed Nov 24 | Day's change % | Tue Nov 23 | Accrued interest | xd adj. ytd | | Low coupon yield Nov 24 | Low Nov 23 | Low Yr. ago | Medium coupon yield Nov 24 | Medium Nov 23 | Medium Yr. ago | High coupon yield Nov 24 | High Nov 23 | High Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 Up to 5 years (25) | 129.46 | 0.04 | 129.41 | 2.16 | 10.03 | 5 yrs | 6.02 | 6.02 | 7.11 | 6.26 | 6.27 | 7.46 | 6.39 | 6.39 | |
| 2 5-15 years (21) | 157.98 | 0.14 | 157.71 | 2.35 | 11.56 | 15 yrs | 6.92 | 6.96 | 8.24 | 7.04 | 7.07 | 8.70 | 7.22 | 7.25 | |
| 3 Over 15 years (9) | 180.35 | 0.36 | 179.70 | 3.12 | 10.04 | 20 yrs | 7.02 | 7.04 | 8.50 | 7.08 | 7.12 | 8.86 | 7.24 | 7.27 | |
| 4 Irredeemables (6) | 210.28 | 0.21 | 209.83 | 0.96 | 13.47 | Irred.† | 7.13 | 7.15 | 8.86 | | | | | | |
| 5 All stocks (61) | 153.39 | 0.15 | 153.16 | 2.42 | 10.93 | | | | | | | | | | |

| Index-linked | | | | | | | Inflation 5% Nov 24 | Nov 23 | Yr. ago | Inflation 10% Nov 24 | Nov 23 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 6 Up to 5 years (2) | 190.64 | 0.04 | 190.56 | 0.72 | 4.26 | Up to 5 yrs | 2.16 | 2.17 | 2.40 | 1.30 | 1.30 | 1.58 |
| 7 Over 5 years (11) | 186.63 | -0.08 | 186.78 | 1.14 | 4.29 | Over 5 yrs | 3.14 | 3.13 | 3.80 | 2.96 | 2.95 | 3.61 |
| 8 All stocks (13) | 186.13 | -0.07 | 186.25 | 1.10 | 4.27 | | | | | | | |

| Debentures and Loans | | | | | | 5 year yield Nov 24 | Nov 23 | Yr. ago | 15 year yield Nov 24 | Nov 23 | Yr. ago | 25 year yield Nov 24 | Nov 23 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 9 Debs & Loans (65) | 144.91 | 0.24 | 144.56 | 2.17 | 10.14 | 7.80 | 7.89 | 8.88 | 8.01 | 8.03 | 9.88 | 8.17 | 8.19 | 10.06 |

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

### FT FIXED INTEREST INDICES

| | Nov 24 | Nov 23 | Nov 22 | Nov 19 | Nov 18 | Yr ago | High* | Low* |
|---|---|---|---|---|---|---|---|---|
| Govt. Secs. (UK) | 103.49 | 103.43 | 103.45 | 103.69 | 103.64 | 93.98 | 103.84 | 93.28 |
| Fixed Interest | 123.86 | 123.80 | 124.05 | 124.18 | 124.15 | 108.89 | 125.20 | 108.67 |

Basis 100: Government Securities 15/10/26 and Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 125.20 (1/9/93), low 50.53 (3/1/75)

### GILT EDGED ACTIVITY INDICES

| | Nov 23 | Nov 22 | Nov 19 | Nov 18 | Nov 17 |
|---|---|---|---|---|---|
| Gilt Edged bargains | 104.1 | 101.7 | 97.0 | 157.5 | 114.5 |
| 5-day average | 118.7 | 119.6 | 129.1 | 129.0 | 117.1 |

SE activity indices rebased 1974.

## FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on November 24

| | Issued | Bid | Offer | Chg. | Yield | | Issued | Bid | Offer | Chg. | Yield | | Issued | Bid | Offer | Chg. | Yield |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| U.S. DOLLAR STRAIGHTS | | | | | | United Kingdom 7¼ 97 | 5500 | 103⅞ | 103½ | | 5.28 | Alliance Leics 11¾ 97 £ | 100 | 115 | 115½ | | 6.37 |
| Abbey Natl Treasury 6½ 03 | 1000 | 100¼ | 100½ | +⅛ | 6.46 | Volkswagen Intl Fin 7 03 | 1000 | 102⅝ | 102¾ | -⅛ | 6.65 | British Gas 12¼ 95 £ | 300 | 108¼ | 108⅝ | +⅛ | 5.52 |
| AlbertaProvince 9⅞ 95 | 600 | 108⅝ | 109 | | 4.58 | World Bank 0 15 | 2000 | 27¾ | 28 | | 5.98 | British Land 12½ 16 £ | 150 | 135⅛ | 135⅝ | +¼ | 9.06 |
| Austria 8½ 00 | 400 | 113⅞ | 114⅛ | +⅛ | 5.76 | World Bank 5¼ 98 | 300 | 102 | 102⅜ | | 4.60 | EIB 10 97 £ | 637 | 111⅛ | 111½ | | 6.05 |
| [illegible] | | | | | | | | | | | | | | | | | |

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. [illegible] CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. [illegible]



## UK GILTS PRICES

| Notes | Yield Int | Yield Red | Price £ | + or - | 1993 High | 1993 Low |
|---|---|---|---|---|---|---|
| "Shorts" (Lives up to Five Years) | | | | | | |
| Treas 8½pc 1994 | 8.45 | 5.22 | 100⅞ | — | 102½ | 100⅞ |
| [illegible] | | | | | | |

| Notes | Yield Int | Yield Red | Price £ | + or - | 1993 High | 1993 Low |
|---|---|---|---|---|---|---|
| 10pc 2003 | 8.18 | 6.86 | 122⅜ | +⅛ | 127⅞ | 109⅝ |
| [illegible] | | | | | | |

| Notes | Yield (1) | Yield (2) | Price £ | + or - | 1993 High | 1993 Low |
|---|---|---|---|---|---|---|
| Index-Linked (b) | | | | | | |
| Treas. 2pc '94 (102.9) | - | - | 136⅝ | — | 136⅝ | 131⅝ |
| [illegible] | | | | | | |

Other Fixed Interest

[illegible]

● 'Tap' stock. ≠ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

## COMPANY NEWS: UK

# Bombardier settles dispute with TML

By Charles Batchelor and Robert Gibbens

A row between Bombardier, a Canadian supplier of trains for the Channel tunnel, and Trans-manche Link, the main contractor, over a C$748m (£379m) claim to cover cost overruns has been settled, the two sides announced yesterday.

Details will not be announced until the settlement has been approved by the boards of the two companies and Eurotunnel – operator of the cross-Channel link – on December 3, but Canadian analysts estimated the agreement would be worth C$350m to Bombardier.

Bombardier lodged its claim against TML last summer to cover extra manufacturing costs incurred due to late design changes ordered by TML. The original contract, awarded in July 1989, was for the supply of 254 shuttle rail cars costing C$650m.

The agreement removes the threat of further delays to the start of cross-Channel services next spring. The rail cars being built by Bombardier will carry cars, coaches and their passengers between the terminals at Folkestone and Calais.

More details will be released after formal approval has been given, Bombardier said. It has already made special provisions totalling C$225m to cover possible losses on the shuttle car contract.

If the agreement is approved early next month it will avoid the possibility of the dispute going to court. Mr Laurent Beaudoin, Bombardier chairman, had warned that legal action might become necessary if the dispute was not settled by the year end.

Bombardier halted production of the rail cars being built by its Euroraill subsidiary at its plant at Bruges, Belgium, in March, but resumed deliveries in June.

Eurotunnel said yesterday that it had not been affected by the delays in shipments of the rail cars, but it was concerned that problems could arise if the *dispute had continued*. "It was important for us to have something done about it," Eurotunnel commented.

Nearly 100 of the rail cars have been delivered to TML and are being prepared for commissioning.

Shuttle services carrying trucks and cars under the Channel are due to start next May, while passenger-only trains are due to start running between London Waterloo, Brussels Midi and Paris Gare du Nord in June or July.

# Shares in Caledonia Investments rise 33p as profits reach £25m

By Catherine Milton

Shares in Caledonia Investments, the *holding company* controlled by the Cayzer family, rose 33p to close at 588p as a dull market welcomed its 27 per cent increase in net asset value per share at the half way stage and interim pre-tax profits up almost 30 per cent.

Net asset value rose to 625p (491p) after the cumulative *write off of some 40p per share* in goodwill on acquisitions.

*Pre-tax profits, which* reached £26m (£19.8m) in the six months to September 30, included a £2m profit on the sale of operations and investments.

Mr Peter Buckley, deputy chairman and chief executive, conceded that £128m (£140m) in cash and near-cash was not ideal against a background of low interest rates. He could envisage the company one day having gearing: "We have received £427m since 1987 and we have been making selective purchases with an emphasis on finding our way into more trading situations since then."

Profits from trading subsidiaries increased to £2.3m (£1.4m), reflecting an improvement in nearly all sectors. Income from associated companies also rose strongly to £12.4m (£5.9m) on the back of a *good performance by Bristow* Helicopters and the inclusion of a full six months profit from Exco, the money broker.

Income from investments fell by £900,000 to £6m because of a one-off dividend related to the flotation of the Telegraph received in the comparative period and a decision to book *dividends at ex-dividend date* rather than at cash received.

Earnings per share rose to 18.9p (14p) and the dividend is lifted to 5.4p (5p).

● **COMMENT**

The company's recently-announced £44m (£29.5m) move into leisure overseas via a joint venture with some old business partners looks bold. But Caledonia's *record for astute* deals includes its sale of a controlling stake in British and Commonwealth Holdings just before the share price peaked and subsequent mopping up of some of B&C's businesses from administrators. The Cayzer caution means the net asset value per share is probably still less than what could be realised. Mr Buckley, himself a Cayzer, hopes there is more value in the unlisted associated companies which posted good results this time. If so, shares are trading at a discount to a *net asset* value which understates the worth of the company. Analysts forecast pre-tax profits of about £49m for the full year.

# Merrett appoints new chief executive

By Richard Lapper

Merrett Group yesterday appointed Mr Alan Cleary, the chairman of its loss adjusting arm, as group chief executive in a move which indicated that *it may seek to restructure its* business around its insurance services – rather than Lloyd's agency – interests.

Efforts to salvage Merrett Underwriting Agency Management, whose prospects have been brought into question by the difficulties of two of its largest syndicates, are continuing. Both syndicates 418 and 1067 were hit by the withdrawal last week of a plan by Travelers, the US insurance *company, to offer backing* which would have helped compensate for a sharp fall in support from members' agents.

Neither syndicate may have enough backing to continue underwriting in 1994, leaving their Names – the individuals whose assets support the market – with a potentially expensive "run-off" (meeting claims on existing policies).

Mr *Cleary joined* Merrett in 1991 as chief executive of the services division, which includes Miller Knight, the loss adjuster, BIS, an insurance investigations business, Merrett Health Risk Management, and a run-off company. He was recently appointed chairman of Miller Knight.

As group chief executive he replaces Mr Dennis Purkiss, who recently resigned to *join Zurich Re as chief operating* officer. Mr Purkiss, who will be joined at Zurich by two leading Merrett underwriters – *Mr Stewart Laderman and* Mr Ken Barrett, takes over as chief executive officer at Zurich next year.

Mr Stephen Merrett, chairman of the Merrett Group, said of Mr Cleary "nobody is better equipped to see the Merrett Group through these difficult times".

# Exchange rates help Tate & Lyle

By Maggie Urry

Tate & Lyle's combination of swings and roundabouts was largely favourable in the year to September 25, with profits before tax at £222.5m against £189.5m, although profits were still below the record £230.8m achieved in 1991. The pre-tax figure was boosted by £19.1m from exchange rate gains.

Group sales were 13.4 per cent higher at £3.82bn, and operating profits rose by 13.6 per cent to £269.6m. Two of the five divisions suffered profit falls at the pre-interest level.

In the North American sugar business profits fell from £39.6m to £28m, with Domino – the cane business – largely to blame as lower sugar prices and selling quotas hit margins. A strike at one plant cost £6m (£4m). Profits from Western, the beet business, also fell, with £7m of start-up costs from a new desugarisation plant, although this is now trading profitably.

The other division which suffered lower profits was European cereal sweeteners and starches, where the decline was from £54m to £51.4m. Lower prices were caused by a potato starch glut, after a record crop, and as the problems of the paper industry meant it used less starch.

Outside North America, profits from sugar rose from £71.2m to £94.8m, including the UK up from £49.9m to £64.4m, with a £4.5m stock profit thanks to the green pound devaluation. Productivity improved 10 per cent in the UK.

Profits from North American starch and sweeteners rose from £65.3m to £84.7m, with Staley, a problem area in 1992, up from £118.7m to £130m. In 1991 Staley made £172.5m. The partial recovery in 1993 was despite pricing pressures, a $12m rationalisation provision and a lock-out at one plant.

Animal feeds and bulk storage profits rose from £20.1m to £25.1m. Sucralose, a sugar substitute Tate has developed, lost £5.8m (£4m) and is not expected to make significant profits until it gains approval in the big markets of the US and Europe. It has gained acceptance in Canada, and has recently been approved in Australia and Russia.

Net interest charges fell from £47.9m to £47.1m. A settlement of a tax dispute in the US cut the tax charge from 26.2 per cent in 1992 to 24.7 per cent.

Fully diluted earnings per share rose from 26.2p to 32.7p.

# Lowndes Lambert up 24% at £5m

By Richard Lapper

Strong growth in both the UK and the US helped Lowndes Lambert, the insurance broker, increase pre-tax by 24 per cent to £5.2m for the six months to end-September.

The interim dividend is lifted from 4.5p to 5p from fully diluted earnings of 12.2p (10.9p). *The shares rose 3p to 417p.*

Mr Richard Shaw, chairman, expected further steady growth in the second half. "Conditions in our major markets remain difficult but ... the advent of new capital into Lloyd's and other sectors of the *world market will increase capacity in* 1994."

Unlike some of its competitors Lowndes Lambert received no benefit from the strengthening of the dollar, with its conversion rate averaging $1.58 against sterling in the last two years.

*Turnover rose from £24.9m to £30.2m* while administrative expenses increased from £23.9m to £27.8m leaving broking profit of £2.4m (£1m).

Income from the UK rose by 14 per cent and from the group's international division by 9 per cent.

*Revenue from North American* operations rose by 24 per cent. Of these amounts Norex, a UK retail and London market broker acquired last year, contributed £2.1m in turnover and £500,000 in broking profits.

Two associated undertakings – a 30 per cent stake in Datasure, and a 45 per cent share in a French subsidiary, La Nouvelle Securite – brought in a further £7m (£7.3m) in turnover and £1m in profits. Profits last year included £500,000 earned from the sale of a 10 per cent stake in a subsidiary of La Nouvelle.

*Interest receivable was steady at* £1.8m.

● **COMMENT**

Since its flotation in 1991 Lowndes Lambert has steadily improved productivity recording successive increases in broking profits. With premium rates rising and prospects for the Lloyd's market – in which Lowndes places about 25 per cent of its business – reasonably positive, the group seems on course for full year 1993-94 profits of more than £13m and earnings per share of some 30p. At yesterday's closing price of 417p that puts the shares on a prospective multiple just under 14. Compared to a sector average for the medium-sized brokers of between 14 and 16 the shares appear to represent good value.

# Kewill recovery continues with profits at £1.76m

By Alan Cane

Recovery at Kewill Systems continued despite poor trading conditions and the software *supplier said it should* return to the dividend list by the end of the trading year.

Pre-tax profits of £1.76m for *the six months to September* 30 compared with losses of £172,000, restated for FRS 3.

Kewill had previously been *expanding vigorously but high* costs and management problems at a German subsidiary resulted in several months of reduced profits; the subsidiary has since been sold to its management.

*Mr Kevin Overstall*, chairman, said yesterday's results revealed the group's underlying strength.

The City, however, marked *the shares down 7p to 253p.*

Turnover from continuing operations was £16m, compared with £14.2m.

Operating profit rose 29 per *cent from £1.53m to £1.97m*, while earnings per share were 10.15p (losses of 3.58p).

Mr Overstall said the com*pany had been successful* in petitioning the High Court to sanction a capital reduction to eliminate the deficit on distributable reserves; in conse*quence the company should be* in a position to declare a dividend with its *full* year results.

He said prospects for the second half would be constrained by economic conditions in the *UK* but that *US operations*, which doubled operating profits in the first half of the year, were expected to grow strongly.

# Restructuring costs leave Wagon lower at £5.06m

By Paul Cheeseright, Midlands Correspondent

Pre-tax profits at Wagon Industrial, the Telford-based *materials handling, engineer*ing and automotive products group, fell from £8.52m to £5.06m in the half year to September 30 as the group absorbed the costs of restructuring Forkardt, a German subsidiary dependent on the machine tool market.

The result had been fore*shadowed in June when* Wagon said that the first half *would be lower than in 1992-93* and that the full-year result would be similar to 1992-93, before meeting any costs at Forkardt.

*Reducing the size of For*kardt cost £3m, shown as an exceptional item.

Operating profits were £7.42m against £8.1m, on improved turnover of £132m (£114m).

Although poor levels of demand in Europe continued to drag down the group's *results, Mr John Hudson, chief* executive, said "the UK is definitely picking up".

Wagon, which has net cash balances of £8m, is looking for further UK acquisitions. Last August it bought Salter Springs and *Pressings* for £2.9m in what looks like the first of a series of acquisitions.

Wagon holds to its June statement of full-year profits *similar to those of 1992-93* but has added some gloss. Mr Paul Taylor, chairman, said the board "feels a little bit more optimistic about prospects *than was the case then*."

The interim dividend is maintained at 6.325p, payable from earnings per share down from 14.62p to 4.52p.

# Alba advances 36% amid encouraging trading

By Paul Taylor

Alba, the consumer electronics group and UK market leader in home audio and small screen colour television sales, yesterday reported a near-36 per cent rise in interim profits and described pre-Christmas high street trading as "very satisfactory."

The rise, from £1.2m to £1.63m pre-tax for the six months to end-September, came on turnover 10.9 per cent higher at £50.1m. The comparative profit figure included a £194,000 loss on the now discontinued Greenwood Theatre television studios.

Mr John Harris, chairman, said: "Trading in the UK has been good in the period under review and, despite the weak trading conditions in France and Germany, we have experienced reasonable levels of business in these countries." He added: "Current business in the run up to Christmas is very satisfactory."

The chairman's comments on current UK trading were in *sharp contrast to some of* Alba's competitors including Amstrad, whose chairman, Mr Alan Sugar, warned last week that there was no evidence of a pre-Christmas high street spending boom.

In addition to audio and domestic appliances, which Mr Harris said had sold particularly well, the group has successfully entered the higher profile UK satellite equipment and Nicam stereo TV markets.

Earnings per share increased *to 2.63p (1.82p) and the interim* dividend is maintained at 1p.

# Aberforth Split to raise £51.5m via share issue

By Philip Coggan, Personal Finance Editor

Aberforth Split Level Trust is seeking to more than double its size by raising an additional £51.5m after expenses. As with most recent trust issues, *the funds* will be raised via an offer of C shares at 100p each.

The investment trust, which invests in the shares of small *companies, has a split capital* structure, with income shares, capital shares and units (a combination of one capital and one income share).

*In July 1994, the C shares* will be convertible, either into a unit, or into one capital and one income share, at the option of the holder.

Trusts use the C share structure so that the two pools of assets are kept separate until the money raised via an issue is fully invested. Conversion then takes place at prices based on the asset values prevailing at the time.

Irrevocable undertakings have been received to apply for 47.5m C shares. The balance of the offer, some 5.5m C shares, is available to the public.

# Catalogue deal for Thorn

By Michael Skapinker, Leisure Industries Correspondent

Thorn EMI yesterday concluded *an agreement to administer* for five years a music catalogue owned by Michael Jackson, the singer.

Ownership of the catalogue will remain with ATV Music, Michael Jackson's music publishing company, which will receive advances of $70m (£46.9m) from Thorn over the period.

The advance next year will be $30m, followed by smaller advances in subsequent years.

Thorn will be paid an unspecified percentage of gross royalties.

The catalogue includes most of the Beatles songs written by John Lennon and Paul McCartney, as well as songs by Elvis Presley, *Little Richard*, Kenny Rogers and UB40. It does not include any work by Michael Jackson.

# Optometrics improves to $98,000

Optometrics, the USM-quoted optical systems group, reported increased pre-tax profits of $98,000 (£65,770) for the six months to the end of September, compared with $29,000.

Mr Frank Denton, chairman, said shipments were above the levels of last year and the order book remained more than 30 per cent ahead.

Turnover was $1.88m ($1.76m). Earnings per share came out at 0.7 cents (0.05 cents).

In October the company signed an agreement with Integrate Russia, which represents several large Russian *optical institutes, for world*wide distribution rights of their products.

The shares rose 2p to 23p.

# Premiums for three market newcomers

*There were premiums for all* three of yesterday's newcomers to the stock market.

Shares in DFS Furniture, the specialist upholstery retailer, ended their first day's trading at 271p, compared to the 260p issue price. Some 17m shares were traded.

The rise increases the value of the 51.7 per cent stake retained by Mr Graham Kirkham, chairman, by about £6m. He raised £129m by selling 47.7 per cent of the group's shares *in the flotation*.

The public offer of 17.5m shares was 1.3 times subscribed, and allocations were *skewed towards smaller inves*tors.

This may have created some demand for shares yesterday from larger investors disappointed by *the allotments*.

Azlan Group, the networking products distributor which came to the market this week, saw its shares close 11p up on the 230p offer price.

Some £6m, net of expenses, was raised in the flotation. The proceeds will be used to increase its market share and *expand internationally*.

Shares of Hozelock, the garden equipment manufacturer, recovered from an early low of *235p to close 1p above the issue* price at 251p.

Analysts said trading had been buoyant, with good two-way business.

The group raised a net £18m through the placing of 11.2m ordinary shares, half of which were subject to a clawback to meet retail demand through *intermediaries. The offer was* 2.1 times subscribed.

The company will be using £5.4m of the proceeds to redeem existing preference *shares and £8.5m to repay* bank and shareholder loans. The balance will provide working capital.

# Aim shares fall 30p on warning

Shares of Aim Group, the maker of aircraft interior fittings, fell 30p to 143p yesterday *following the company's* warning on second half turnover and profits.

It cited the recent announcement by Saab-Scania that certification of its new Saab 2000 airliner had been *delayed by a year* until October 1994. The supply of its interior is the group's largest contract.

Aim said that the aerospace market continued to weaken and although first half profits *should be in line* with expectations, it was unlikely that current *full-year* profits would exceed £2m. Profits for the year to April 30 1993 amounted to £3.63m.

# BSG Intl warns on profits

Shares of BSG International, the automotive components manufacturer, fell 12¼p to *56¼p yesterday following a* warning from the company that a further deterioration in continental European car production would adversely affect full-year profits.

The directors estimated that *for the year as a whole* production would be 20 per cent lower than in 1992.

As a result, group pre-tax profits for 1993 were expected to fall from a reported £12m (restated to £7.4m for FRS 3) to "not less than" £8.5m.

Should a sale and leaseback of two factories be completed before December 31 an exceptional profit of £2m would lift the year-end figure to £10.5m.

[illegible]

| [illegible] | [illegible] | [illegible] | [illegible] |
|---|---|---|---|
| 0030 | 23.76 | 19.42 | 19.42 |
| 0100 | 24.91 | 25.40 | 27.35 |
| 0130 | 24.45 | 31.82 | 33.83 |
| 0200 | 24.45 | 31.82 | 33.83 |
| 0230 | 24.45 | 31.82 | 33.83 |
| 0300 | 24.45 | 25.10 | 27.02 |
| 0330 | 24.45 | 25.10 | 27.02 |
| 0400 | 24.45 | 25.10 | 27.02 |
| 0430 | 24.45 | 18.18 | 18.18 |
| 0500 | 18.27 | 18.18 | 18.18 |
| 0530 | 23.17 | 18.84 | 18.84 |
| 0600 | 23.17 | 18.84 | 18.84 |
| 0630 | 24.05 | 19.07 | 19.07 |
| 0700 | 23.94 | 25.11 | 27.02 |
| 0730 | 24.45 | 24.88 | 28.58 |
| 0800 | 28.48 | 23.71 | 27.03 |
| 0830 | 28.80 | 28.42 | 27.34 |
| 0900 | 28.74 | 28.44 | 27.38 |
| 0930 | 28.78 | 32.82 | 33.88 |
| 1000 | 28.72 | 32.02 | 33.87 |
| 1030 | 28.86 | 32.00 | 33.84 |
| 1100 | 28.62 | 31.89 | 33.82 |
| 1130 | 28.85 | 28.04 | 29.88 |
| 1200 | 28.84 | 28.04 | 29.88 |
| 1230 | 28.56 | 28.04 | 28.97 |
| 1300 | 28.47 | 27.38 | 29.29 |
| 1330 | 24.80 | 28.84 | 27.57 |
| 1400 | 24.13 | 28.84 | 27.58 |
| 1430 | 24.12 | 28.84 | 27.58 |
| 1500 | 24.12 | 28.84 | 27.56 |
| 1530 | 24.19 | 28.98 | 30.88 |
| 1600 | 28.41 | 28.98 | 30.81 |
| 1630 | 60.33 | 29.81 | 31.84 |
| 1700 | 61.02 | 63.42 | 69.72 |
| 1730 | 68.71 | 61.82 | 68.42 |
| 1800 | 77.65 | 68.84 | 74.70 |
| 1830 | 41.87 | 63.81 | 68.88 |
| 1900 | 31.84 | 42.18 | 48.60 |
| 1930 | 28.04 | 32.00 | 34.44 |
| 2000 | 28.84 | 28.82 | 30.86 |
| 2030 | 24.55 | 25.48 | 27.30 |
| 2100 | 24.64 | 25.42 | 27.34 |
| 2130 | 24.53 | 25.30 | 27.31 |
| 2200 | 24.53 | 25.30 | 27.31 |
| 2230 | 24.05 | 25.38 | 27.31 |
| 2300 | 24.05 | 25.38 | 27.31 |
| 2330 | 18.26 | 18.18 | 18.18 |
| 2400 | 18.25 | 18.40 | 18.40 |

[illegible]

## DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corres - ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|
| ABI Leisure ......fin | 2.51 | Jan 31 | 2.19 | 3.76 | 3.76 |
| Alba ......int | 1 | Apr 25 | 1 | - | 4.85 |
| Caledonia Invs ......int | 5.4 | Jan 20 | 5 | - | 15 |
| Concentric ......fin | 4.09 | Jan 19 | 3.815* | 5.86 | 5.585* |
| Dunedin W'wide ......fin | 7.1 | Jan 20 | 7.1 | 9.5 | 9.5 |
| Goodhead ......fin | 0.05 | Feb 10 | 0.5 | 0.05 | 0.5 |
| Kwik Save ......fin | 12.9 | Jan 13 | 11.3 | 18.3 | 16 |
| Lowndes Lambert ......int | 5† | Feb 4 | 4.5 | - | 13.5 |
| Osborne & Little ......int | 2.5 | Jan 26 | 2 | - | 4.6 |
| Pistignum ......int | 0.28 | Dec 22 | 0.25 | - | 0.5 |
| Tate & Lyle ......fin | 8.7 | Feb 8 | 8 | 13 | 12 |
| Wagon Industrial ......int | 6.325† | Feb 21 | 6.325 | - | 17.5 |
| Warnford Invs ......int | 2.75 | Apr 11 | 2.75 | - | 7.5 |
| Yeoman Inv Tst ......int | 6.4‡ | Dec 31 | - | - | - |

Dividends shown pence per share net except where otherwise stated. †On increased capital. *Equivalent after allowing for scrip issue. §USM stock. ‡Second interim, making 11.9p so far.

# Ferranti shareholders favour administration if GEC bid fails

By Paul Taylor

Disgruntled Ferranti International shareholders are urging that the defence electronics group should be placed in *administration* rather than receivership if GEC's token 1p a share bid is rejected.

A court-appointed administrator's role is to try to secure the survival of the company as a *going concern*, or achieve a more advantageous realisation of the company's assets than available through a receiver's winding up of the company.

Mr John Katz, chairman of the *Ferranti Shareholders* Support Association, has challenged GEC and Ferranti and their financial advisers to explain why the offer docu*ment fails to mention* the possibility of administration if the bid fails.

In a letter yesterday to SG Warburg, GEC's adviser, Mr *Katz* wrote: "*There may* be factual considerations which applied in the (Ferranti) board preferring to propel the company to receivership if and when your offer *is voted* down ... instead of protecting through *administration the* banks, creditors, employees, customers, contractors and shareholders of Ferranti.

"Or possibly, certain banks have denied a petition to allow administration."

Mr Eugene Anderson, *Fer*ranti's chairman, has told the group's 48,000 shareholders that if GEC's offer is not accepted by shareholders representing at least 90 per cent of the group's 1bn outstanding shares on December 8, the closing date for the offer, the banks will be asked to appoint a receiver.

There are some important *differences* between receivership and administration, according to *Mr Robert Dow*, an editor of PLC, the practical law magazine for companies.

The main duty of a receiver, who is generally appointed by a secured creditor such as a bank, is to protect the interest of the bank whereas an admin*istrator is appointed by the* court and protects the interests of the company, and general body of creditors.

An administrator enjoys the *benefit of a statutory freeze on* enforcement of creditors' *rights and remedies, a benefit* which is not available to a receiver.

However, Mr Dow warned that administration was generally only advantageous when a company was experiencing *temporary cash flow problems*, or where no creditor was able or willing to appoint a receiver.

"If Ferranti's financial position is as bad as the company appears to say, with no immediately foreseeable improvement, it is difficult to see how shareholders could benefit from administration."

In any event, secured creditors may be able to block an administration.

*Under the Insolvency Act* 1986, notice has to be given to anyone entitled to appoint a receiver as soon as a petition for an administration order is presented.

This means that if any of Ferranti's secured creditors, *including the 15 banks* which are owed some £100m, chooses to appoint a receiver under a properly drafted charge, administration would not be an option anyway.

# BPP shares tumble after profits warning

By Peggy Hollinger

Shares in BPP yesterday plunged to their lowest level for almost three years as the language and professional training company warned annual profits would lower than expected due to increased rationalisation costs and a substantial property write-down.

The market marked the shares down 90p to 215p, their lowest since February 1991, after the group announced it expected profits to be at least £6.3m before the write-down.

Analysts had expected profits, scheduled for March 21, of about £7.8m.

The group also said it expected to take a charge of about £5.3m through the profit and loss to account for a £7.5m reduction in the value of its properties. The rest would be charged against reserves.

BPP issued the warning following its decision to pull out of language training in Belgium and Japan at a further cost of £300,000. This followed the company's warning in August that it would incur £650,000 in charges for reducing its exposure to the depressed Japanese market.

Mr Richard Price, chairman, said yesterday trading had become particularly tough both in Japan and continental Europe in the last three months.

The language division was expected to incur a loss of £400,000 against profits of £857,000 last year of which £200,000 was attributable to the Belgian and Japanese businesses.

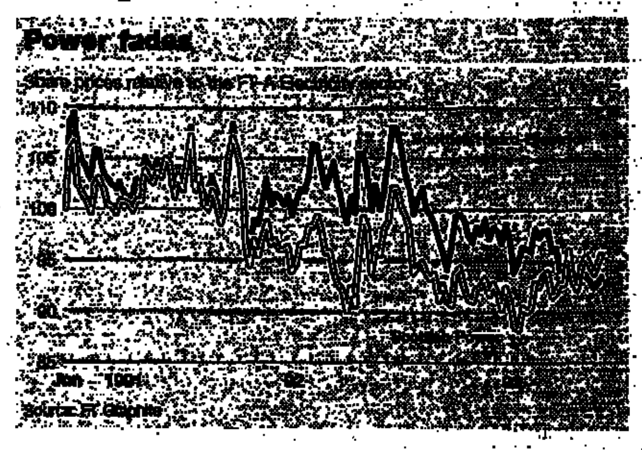
Mr Price said he expected trading in the language division to be difficult through 1994, due to the increasingly depressed climate in France and Germany.

However, he emphasised that profits continued to move ahead at the group's three other divisions – publishing, and academic and professional training – albeit less rapidly than expected in the first two cases.

He said confidence in these three businesses reinforced the decision to forecast an increased final dividend of 5.8p (5.3p), for a total of 8.8p (8p).

# Scots are developing the power to invade England

**James Buxton** on the current expansion plans of Scottish Power and Scottish Hydro-Electric



Ian Preston, right, and Roger Young, of Hydro-Electric. Tony Andrews

Opinions may differ on whether a line of new pylons through the hills of southern Scotland near the A74 Glasgow-Carlisle road enhance the scenery.

They will certainly enhance the business of Scottish Power and Scottish Hydro-Electric, the two Scottish electricity companies.

The recently-completed pylons are the upgraded interconnector, the transmission line taking Scottish electricity exports to England.

Scottish Power, which reports its interim results today, gets the lion's share of the 350MW increase in the interconnector's capacity, which is rising to 1,200MW, though Hydro-Electric's export capacity will rise slightly.

Total capacity should rise to 1,600MW by 1995, following improvements in the English grid.

Last week Scottish Power received another boost when it concluded an agreement with British Coal to take more than 2m tonnes of coal a year for the next five years on terms similar to those reached by the two English generators in the spring.

The deal involves a backdated reduction in the price which will cut the company's fuel costs by £10m this year, and a more rapid drop in world coal price levels than planned under the previous contract. Hydro-Electric, which generates most of its electricity from gas and hydro power, will get one sixth of the coal.

Unlike the regional electricity companies and the two English generators, the Scottish companies are vertically integrated, both generating and supplying electricity.

Apart from the Northern Ireland company they were the last to be floated and the only ones where the government got the price about right, permitting a small premium for investors but a sluggish after-market.

From the start in 1991 the two companies pursued different strategies.

Scottish Power, with a market capitalisation more than twice that of Hydro-Electric, concentrated on its much bigger domestic market, while exporting power to England via the interconnector. It also developed some generating projects in England and studied the possibility of supplying power to the Isle of Man, but none of these schemes materialised.

Hydro-Electric was nimbler in signing up to supply individual customers south of the border. With Norweb it pushed ahead on a project to build a 680MW gas-fired power station at Keadby on the Humber.

Analysts considered Hydro-Electric more dynamic and the market established a premium for its shares over Scottish Power.

However, in September Hydro-Electric dropped out of the FT-SE 100, and since October has stood at a slight discount to Scottish Power, which is now making a bigger effort to explain where it is going.

Mr Ian Preston, Scottish Power's chief executive, put achieving greater efficiency as a primary objective. It is now bringing itself up to the benchmark standards of the best US utilities, and has shed 30 per cent of staff in its core business since privatisation.

Other aims are to make the most of its generating assets and "to diversify prudently in utility-related businesses".

It has plans to build a 250MW interconnector to supply Northern Ireland. The original route for the pylons across Ayrshire ran into opposition but the company will seek planning consent for a revised line next year.

When that comes onstream towards the end of the decade, and taking into account the interconnector upgrade to England, 30 per cent of Scottish Power's output should be going outside its own territory at prices outside the control of the regulator. The present level is 9 per cent.

In diversifying, Scottish Power has reorganised its retailing business, which claims 30 per cent of the Scottish white goods market and is expanding in northern England. It has a joint venture in gas with Utilicorp, named Caledonian Gas, which already has 2,000 customers.

"It's a low risk business," says Mr Preston. "Caledonian gets the customers, Utilicorp supplies the gas and British Gas delivers it."

Like other gas suppliers he is urging the government to liberalise the gas market to embrace most domestic customers. At present only consumers who take 2,500 therms a year, giving an annual bill of more than £1,100, can choose their supplier.

Scottish Power is also spending £7m on a fibre optic telecommunications network between Glasgow and Edinburgh for use by other companies.

For Hydro-Electric, with a much smaller domestic market and a share of the interconnector that will only reach 480MW in 1995, the priority has been to develop generating capacity south of the border.

That policy is now coming to fruition. The Keadby plant will begin operating in January 1995, and last month it formed a joint venture with BNF called Fellside to own a 157MW gas fired combined heat and power plant opening early next year at Sellafield.

With the enhanced interconnector and a 7MW combined heat and power plant at Dover, Hydro-Electric should be supplying 820MW of power in England by 1995.

The north of Scotland company recently formed Vector Gas, a joint venture in gas with Marathon, which intends to market gas all over Britain under the HE Energy label. Rather more than Scottish Power, Hydro-Electric has its sights on becoming an all-purpose energy utility.



## NEWS DIGEST

### Exports help ABI rise 23%

ABI Leisure Group, the caravan and leisure homes manufacturer, achieved a 23 per cent improvement in pre-tax profits, from £2.31m to £2.84m, in the year ended August 31.

Turnover rose 10 per cent to £61.8m (£56.2m) with exports contributing over 31 per cent (25.3 per cent). A distributor has been appointed covering France, Spain and Portugal.

Mr George Shiels, chairman, said that despite a reduction in the size of the market, sales of UK leisure homes had increased.

Earnings per share advanced to 7p (5.8p) and the total dividend is maintained at 3.76p with a proposed final of 2.51p (2.19p).

### Dunedin Worldwide

Dunedin Worldwide Investment Trust lifted net asset value by 40 per cent, from 608.3p to 848.5p per share, over the 12 months to October 31.

Net revenue improved to £3.29m, against £3.12m restated to allow for a change of policy on income from fixed interest securities, for earnings of 9.68p (9.15p) per share. A recommended final dividend of 7.1p maintains the total at 9.5p.

### Falcon Hldgs

Pre-tax profits at Falcon Holdings, the valve and pipeline equipment distributor formerly known as Walker & Staff, declined from £237,000 to £175,000 in the six months to September 30.

Turnover at both Falcon and Walker & Staff, its trading company, fell 14 per cent to £3.15m (£3.67m).

Operating profits emerged at £144,000 (£187,000).

Earnings shrank to 5.3p (7.3p) per share and an interim dividend of 3p (nil) is declared.

### Cosalt

Losses at Cosalt, the diversified industrial group, were cut from £906,000 to £232,000 pre-tax for the year to August 28. Turnover from continuing activities fell from £62.6m to £61m.

Directors said the group would have returned to profit but for their decision to sell the fishing-related rope, net and twine business which resulted in an above-the-line provision of £700,000.

Exceptional items accounted for £357,000 (£2.14m) and interest for £1.06m (£1m). Losses per share emerged at 2.7p (7.4p). All comparative figures have been adjusted to conform with FRS 3.

A final dividend of 3.25p is to be paid from reserves for a 5.375p (10.75p) total.

### Tex

Tex Holdings, a provider of consumables to the plastic, steel and energy industries, returned to the black in the six months to September 30.

Profits before tax of £486,000 were achieved after charges of £104,000 for factory closure and redundancy costs. Last time losses were £146,000.

Turnover expanded to £12.3m (£7.9m). Earnings were 5.1p (1.6p) per share.

### Wentworth

The USM quote of Wentworth International, the plastic packaging products group, is being cancelled following the recent rights issue.

Monceau Investments, a wholly owned subsidiary of Banque Indosuez, will take up the balance of the rights issue shares, following which it will hold 91.15 per cent of the enlarged share capital.

Wentworth is investigating the possibility of its shares being dealt on a matched bargain basis under Rule 535(2).

### City of London PR

City of London PR Group, the USM-quoted specialist investor relations and market research company, lifted pre-tax profits by 10 per cent from £292,000 to £322,000 in the six months to September 30.

Mr John Greenhalgh, chairman, said he expected a similar improvement in the second half.

Turnover declined to £1.28m (£1.54m) but that was offset by an improvement in margins, Mr Greenhalgh said. Earnings per share improved to 3.17p (2.75p) and the interim dividend is raised to 1.27p (1.15p).

### F&C Emerging

Foreign & Colonial Emerging Markets Investment Trust saw a 65 per cent rise in net assets per share at September 30, from 61.6p to 101.7p.

Attributable revenue came out at £314,000 (£732,000). Earnings per share were 0.31p (0.73p); a single final dividend of 0.27p (0.25p) is proposed.

### Anglo Irish Bank

Anglo Irish Bank lifted pre-tax profits to I£9.25m (£8.8m) for the year ended September 30. Last year's profits of I£6.38m were restated in accordance with FRS 3.

Mr A Gerard Murphy, chairman, said that despite the turbulent conditions of the first four months the loan book emerged relatively unscathed from high interest rates.

Earnings per share worked through at 5.7p (4.36p) and a final dividend of 2p is recommended for an unchanged 3.36p total.

### Kitty Little

Kitty Little, the USM-quoted maker of fragrant gifts, air fresheners and self-selection reading glasses, is acquiring the Foster Grant trade mark from Benson Eyecare.

Consideration of £720,000 will be satisfied via the issue of 2.4m new shares at 30p apiece.

At the same time the group has arranged a placing and open offer of 7.13m new shares, on a 7-for-10 basis at 30p, to raise £2.14m to fund the recently-announced purchase of Samco Sunglasses.

Of these, Durlacher & Co has placed firm 5.46m shares of which 3.17m have been placed with Benson Eyecare.

In total Benson will hold 28.25 per cent of the enlarged group.

# BMA strengthens SAS link

By Paul Betts, Aerospace Correspondent

British Midland Airways, the second largest UK carrier, is strengthening its relationship with Scandinavian Airlines Systems by taking over a number of SAS routes from the UK to Scandinavia as well as eight SAS Boeing 737-500 aircraft.

Sir Michael Bishop, BMA's chairman, also confirmed yesterday that SAS would take up its option to acquire next July a further 5 per cent stake in Airlines of Britain Holdings, BMA's parent company.

This would increase SAS's overall stake in the UK airline group to 40 per cent.

Although SAS is currently reviewing its entire strategy following the collapse this week of the proposed Alcazar merger between SAS, KLM Royal Dutch Airlines, Swissair and Austrian Airlines, Sir Michael said the Scandinavian carrier was planning next April to look at how to develop its relationship with BMA.

But the two airlines had already agreed on two projects to reinforce their co-operation, including agreement for BMA to take over SAS's Glasgow-Copenhagen and London Heathrow-Bergen services as well as the eight Boeing aircraft from the Scandinavian carrier.

The new aircraft are part of a sizeable fleet renewal and expansion programme by BMA involving 17 jets worth £275m over the next four years.

Apart from the new 737s, BMA will be the launch customer for the new Fokker 70 aircraft; it has also ordered the larger Fokker 100 aircraft.

Sir Michael said BMA expected to report higher pre-tax profits this year than the £835,000 of last year. Although profits were still not at a satisfactory level, Sir Michael said the airline had continued to make money during the last three years of the worst post-war recession in the business.

Turnover was expected to total about £350m this year while turnover for the entire Airlines of Britain group, including Manx Air and Loganair, would total about £450m.

Reflecting the airline's steady international expansion, Sir Michael said European services would account for about 55 per cent of turnover this year compared with only 20 per cent five years ago. While SAS was now likely to enter of phase of retrenchment, BMA was continuing to expand.

He stressed, however, that he considered SAS as a long term partner. "We felt SAS was the best partner for us and the relationship has been outstandingly good. I am now 51 and I expect the partnership will continue for the rest of my working life".

# ML back in the black with £2m

By David Blackwell

ML Holdings, the aerospace, defence and electronics group which launched a £14.3m rescue rights issue in January, returned to the black in the six months to September 30.

Pre-tax profits amounted to £2.1m, compared with losses of £1.5m.

Mr Howard Grant, chief executive, said the figures – "the first meaningful set of results since the rights issue" – confirmed the group's recovery. But the board deferred a decision on a dividend until the end of the financial year.

Turnover improved by 7 per cent, from £40.2m to £43.1m. The group has cut almost 190 jobs compared with the previous half, so that sales per employee were ahead 24 per cent.

Mr Grant said progress had been made in all three divisions. Aerospace and marine boosted operating profits by 81 per cent to £1.41m on flat turnover of £17.8m.

Group borrowings, at £14.9m, were marginally higher than at the year end, reflecting the timing of some big contract payments, mainly for aircraft.

The electronic component distribution division lifted operating profits 70 per cent to £1.18m, while the aircraft and cargo handling division returned to the black with a contribution of £120,000 (£157,000 loss).

Gearing stood at 60 per cent at the end of the half, compared with 125 per cent.

Earnings per share were 1.1p (2.6p loss).

# Concentric ahead in spite of 'unusual instability'

By Paul Cheeseright, Midlands Correspondent

Concentric, the diversified Midlands-based engineering group, lifted pre-tax profits by 13 per cent in the year to September – a period which included "unusual instability in every business in which we are involved."

Pre-tax profits of £9.36m (£8.25m), achieved on turnover of £116.4m (£113m), were at the lower end of market expectations.

"Month by month business and opportunities have been up and down," said Mr Tony Firth, chairman.

"General market conditions show no sign of improvement," he added.

He said that the automotive market, which accounts for about half of Concentric's sales, "collapsed" last January.

The business in satellite dishes had been sluggish with considerable amounts of stock on the market following technical changes in dish specifications in the middle of the year.

By September, export sales accounted for 30 per cent of turnover, against 28 per cent in the first half; Mr Firth said, however, that continental European customers had "lost interest" as recession deepened.

Against the background of market difficulties, the rise in profits came from winning market share, the exploitation of new business and improved margins, Mr Firth said.

Following the rights issue in 1992, Concentric maintained a net cash position, although capital expenditure nearly doubled to £8m. The group has sought higher productivity through a restructuring which reduced the size of the workforce from 2,000 to 1,900 a year ago.

Earnings per share rose from 11.63p to 12.03p. The final dividend is 4.09p, making a total of 5.86p (5.59p adjusted for January's scrip issue).

# Goodhead falls £17m into red

By Peter Franklin

Goodhead Group, the printing and publishing company, yesterday announced a £17m pretax loss for the year to end-May, a £5.8m placing and open offer, and two disposals.

The deficit compared with a profit of £335,000 last time and included a £10.3m adjustment for goodwill, a £4.34m net loss on the disposal or closure of subsidiaries and £2.26m of other asset write-downs.

Turnover fell from £40.3m to £37.4m, of which £7.77m (£9.85m) was attributed to discontinued operations.

Losses per share came out at 101.4p (1.9p) and the single dividend is cut from 0.5p to 0.05p.

Mr John Madejski, chairman and chief executive, said that the net assets of the group had fallen substantially – from £14.3m to £6.81m. The purpose of the proposed fund-raising was to address that reduction and cut borrowings, he said.

The company is proposing to raise £5.8m net of expenses via a placing and open offer of 34.2m new ordinary shares at 25p apiece on a 9-for-7 basis and/or 1.8368 new ordinary for every two preference shares held.

Mr Madejski is to subscribe up to £5.5m. A further 2m shares are to placed with 3i, subject to the entitlements of shareholders. Dealings in the new shares are expected to commence on December 22.

The fund-raising is subject to shareholder approval. In particular, they are being asked to approve the waive by the Takeover Panel of the possible obligation on the chairman to make a general offer for Goodhead in the event of his holding carrying more than 30 per cent of the voting rights in the company.

In addition, in line with Goodhead's objective of refocusing the business, it is proposed that all non-core activities are sold.

A number of disposals had already been completed, the chairman said, and the company is now seeking shareholder approval for the sale of the leasehold property at Portbury, Bristol, and for the sale to its management of Company Publicity and its subsidiaries.

The shares closed up 6p at 23p.

# Turnround at Osborne & Little

Increased margins and the lack of exceptional costs this time enabled Osborne & Little, the wallpaper and furnishing fabrics concern, to report a turnround from losses of £802,000 to profits of £947,000 pre-tax for the six months to the end of September.

Last year there was a charge of £1.2m relating to the sale of the French offshoot.

Sir Peter Osborne, chairman, said the margins rise reflected continuing emphasis on cost control and the effect of sterling's devaluation.

Group turnover rose 3 per cent to £9.13m, against £8.87m, which included £1.83m from discontinued activities. Earnings per share, helped by the purchase for cancellation of 300,000 shares, were 9.33p (losses 13.48p).

The interim dividend is raised from 2p to 2.5p.

# New trust has eyes set on European smaller companies

By Philip Coggan, Personal Finance Editor

Providence Capitol and James Capel are launching an indexed investment trust specialising in European smaller companies.

The Fairbairn European Smaller Companies Index Trust has already raised £47m and is seeking to increase this to up to £65m via an offer for subscription.

The trust will track the James Capel European Smaller Companies Index, which covers 17 countries from Austria to Turkey and includes 1,000 stocks.

Providence Capitol, as investment manager, will buy a portfolio of 350 securities selected by James Capel to replicate the performance of the index. This is the first in a series of indexed investment trusts which Providence Capitol hopes to launch.

The managers believe that this is a good time to buy European smaller companies. In both the US and the UK, smaller company shares have recently outperformed their larger brethren as economies have shown signs of recovery.

In Europe, smaller companies have underperformed since the start of 1991 as continental economies moved into recession. With interest rates falling, European economies should recover and smaller company shares start to outperform.

Shares are being offered at 100p, with a minimum investment of £2,000. The trust will have a seven year life which can be extended at the shareholder's option.

The trust qualifies for personal equity plan status although no specific plan is linked to it.

# Platignum advances to £398,000

In spite of markets in which it operates remaining weak, Platignum, the manufacturer of pens, stationery, furniture and housewares, returned sharply higher profits for the six months to end-September.

At the pre-tax level they improved from £69,000 to £398,000 from turnover, boosted by acquisitions, ahead 32 per cent at £10.7m.

Profits took account of higher interest charges of £146,000 (£78,000). However, there were no exceptional provisions this time compared with £260,000 previously.

The interim dividend is lifted to 0.28p (0.25p) from earnings of 1.74p (0.29p).

Gluetek and Housley International, both acquired earlier this year, made a "positive" impact on the results.

## FT-SE Actuaries Indices: company sub-sector reassignments

| Company | from sub-sector | to sub-sector |
|---|---|---|
| Adwest Group | 270 Vehicle Components & Assemblers | 240 Diversified Industrials |
| Allied-Lyons | 310 Breweries | 320 Spirits, Wines & Ciders |
| Allied Textiles | 293 Wool | 295 Textiles, Diversified |
| Alvis | 289 Inst, Tools, Mech Handling Equip | 268 Engineering, Aerospace & Defence |
| BM Group | 412 Dist of Industrial Components & Equip | 265 Engineering, Diversified |
| Bogod Group | 412 Dist of Industrial Components & Equip | 414 Distributors, Others |
| Brent International | 232 Chemicals, Commodity | 234 Chemicals, Specialty |
| Bridport-Gundry | 289 Inst, Tools, Mech Handling Equip | 295 Textiles, Diversified |
| BTR Nylex | 236 Chemicals, Materials Technology | 240 Diversified Industrials |
| Channel Holdings | 270 Vehicle Components & Assemblers | 253 Electronic Equipment |
| Cooper (Frederick) | 262 Engineering Fabricators | 263 Engineering, Specialities |
| Densitron International | 412 Dist of Industrial Components & Equip | 253 Electronic Equipment |
| Dickie (James) | 263 Engineering, Specialities | 262 Engineering, Fabricators |
| Diploma | 240 Diversified Industrials | 412 Dist of Industrial Components & Equip |
| Domino Printing | 265 Engineering, Diversified | 253 Electronic Equipment |
| Elliott (B) | 289 Inst, Tools, Mech Handling Equip | 265 Engineering, Diversified |
| Excalibur Group | 299 Giftware & Costume Jewellery | 265 Engineering, Diversified |
| Ferraris Group | 289 Inst, Tools, Mech Handling Equip | 360 Health Care |
| Forward Group | 252 Electrical Equipment | 253 Electronic Equipment |
| Graystone | 330 Food Manufacturers | 265 Engineering, Diversified |
| Hafslund Nycomed | 360 Health Care | 370 Pharmaceuticals |
| Halstead (James) | 344 Floor Covering | 222 Building Materials |
| Headlam | 236 Chemicals, Materials Technology | 414 Distributors, Other |
| Heritage | 342 Furniture & Furnishings | 414 Distributors, Other |
| Ingham | 293 Wool | 270 Vehicle Components & Assemblers |
| Kode International | 252 Electrical Equipment | 253 Electronic Equipment |
| Life Sciences Intl | 289 Inst, Tools, Mech Handling Equip | 360 Health Care |
| McKechnie | 262 Engineering, Fabricators | 265 Engineering, Diversified |
| Meggitt | 268 Engineering, Aerospace & Defence | 265 Engineering, Diversified |
| Molins | 263 Engineering, Specialities | 289 Inst, Tools, Mech Handling Equip |
| MS International | 262 Engineering, Fabricators | 265 Engineering, Diversified |
| MTL Instruments | 289 Inst, Tools, Mech Handling Equip | 253 Electronic Equipment |
| MTM | 232 Chemicals, Commodity | 234 Chemicals, Specialty |
| Newmark (Louis) | 262 Engineering, Fabricators | 263 Engineering, Specialities |
| P&P | 412 Dist of Industrial Components & Equip | 487 Computer Services |
| Plysu | 236 Chemicals, Materials Technology | 280 Paper & Packaging |
| Polar | 253 Electronic Equipment | 412 Dist of Industrial Components & Equip |
| Porth Group | 280 Paper & Packaging | 516 Other Businesses |
| Ransomes | 289 Inst, Tools, Mech Handling Equip | 263 Engineering, Specialities |
| Ransom (William) | 346 Household Requisites | 370 Pharmaceuticals |
| Ross Group | 240 Diversified Industries | 412 Dist of Industrial Components & Equip |
| Rubicon Group | 289 Inst, Tools, Mech Handling Equip | 262 Engineering, Fabricators |
| Scapa Group | 295 Textiles, Diversified | 516 Other Businesses |
| Siebe | 264 Engineering, Contractors | 265 Engineering, Diversified |
| Sycamore Holdings | 261 Engineering, Metallurgy | 222 Building Materials |
| TDS Circuits | 252 Electrical Equipment | 253 Electronic Equipment |
| Thyssen | 264 Engineering, Contractors | 261 Engineering, Metallury |
| Tinsley Robor | 280 Paper & Packaging | 284 Printing |
| TransTec | 270 Vehicle Components & Assemblers | 265 Engineering, Diversified |
| United Industries | 262 Engineering, Fabricators | 265 Engineering, Diversified |
| Vickers | 268 Engineering, Aerospace & Defence | 265 Engineering, Diversified |
| Wagon Industrial | 289 Inst, Tools, Mech Handling Equip | 265 Engineering, Diversified |
| Wassall | 236 Chemicals, Materials Technology | 240 Diversified Industrials |
| WB Industries | 262 Engineering Fabricators | 263 Engineering, Specialities |
| Weir Group | 264 Engineering, Contractors | 265 Engineering, Diversified |
| Wilton Group | 412 Dist of Industrial Components & Equip | 414 Distributors, Other |
| Yule Catto | 236 Chemicals, Materials Technology | 234 Chemicals, Specialty |



Continental (Bermuda) Limited
US $ 250,000,000
*Floating Rate Notes due 2006*
Guaranteed by
Hungarian Foreign Trade Bank Ltd

Notice is hereby given that as at the valuation date 8th November 1993, the value of the zero-coupon obligations (or certificates representing interests in obligations of the United States of America was US $ 128,464,200.00, and the value of the Company's reserve fund was US $ 61,102,236.31. The aggregate value of the Noteholders security was thus 75.83 percent of the principal amount of Notes outstanding at the valuation date.

The determination and publication of these figures is solely for the convenience and information of the Noteholders and shall not be binding for any purpose on the Trustee or the Reserve Fund Manager or the Reserve Fund Reporting Agent nor shall it be taken as recommendation on the part of the Company, the Valuation Agent, the Guarantor, the Trustee, the Reserve Fund Manager or the Reserve Fund Reporting Agent to buy, sell or hold investments similar to the zero-coupon *obligations of the United States of America* or the Reserve Fund Investments.

Valuation Agent

Giro Credit Bank Aktiengesellschaft der Sparkassen, London Branch

COMMODITIES AND AGRICULTURE

# Opec ministers divided over production cuts

By Robert Corzine in Vienna

The Organisation of Petroleum Exporting Countries was last night locked in debate over the wisdom of making production cuts to shore up sagging prices, with some members fearing that reductions might only benefit non-Opec producers keen to carve out bigger market shares.

Uncertainty over the effectiveness of a strategy based on Opec cuts has dominated the meeting, which began in Vienna on Monday with a gloomy assessment of market conditions by Mr Jean Ping, Opec president and energy minister from Gabon.

He had appealed to the delegates from the 12 member states to ". . . take a long hard look at our existing arrangements", which are based on a production ceiling of 24.52m barrels a day. That ceiling has been largely adhered to, with no evidence of the widespread cheating that undermined previous Opec deals.

But a combination of factors such as low demand in the main oil consuming countries in Europe and in Japan and the perception among refiners and traders that supplies are plentiful has helped to drive down prices.

The delegates in Vienna have chastised non-Opec producers for benefitting from their restraint, but Mr Ping noted that it was up to Opec to find ". . . something we can do in the short term to steady the markets". Defining such steps has proved elusive, however. Dr Subroto, Opec secretary general, said delegates attending a closed-door meeting last night would "work until we reach consensus".

The meeting was expected to hear conflicting views on what to do, with some countries, including Venezuela, questioning whether cuts were appropriate only two months after Opec had hammered out a new production ceiling.

Of Opec's two biggest producers, only Iran seemed to be firmly on the side of production cuts, although analysts said it was unwilling to take the lead in promoting them. Saudi Arabia, the dominant producer, also appeared unwilling to orchestrate any cuts.

The talks were also complicated by uncertainty over forecasts for demand for Opec oil. Some estimates suggest that Opec need only maintain its present stance over the next several months for surplus stocks to be whittled away as demand increases in line with the onset of the northern hemisphere winter.

But many analysts believe at least a 3 per cent cut is needed to firm prices, which have drifted since Opec's September meeting. The Brent Blend January price was $15.47½ a barrel, down 15 cents, in late trading yesterday.

# One in four farm animal breeds in danger of extinction, FAO warns

By John Madeley

Over a quarter of the 4,000 breeds of animals used for food and agriculture are in danger of becoming extinct, warns a report by the Food and Agriculture Organisation of the United Nations.

If only 5 per cent of the breeds are being lost every year says the FAO, "the average loss could be about one breed a week".

The most endangered species are in Europe, says the report. Breeds under threat include the Regina cattle, in northern Italy, whose milk produces Parmesan cheese, the North Ronaldsay sheep of the Orkney islands that survive on seaweed, and the Yakut cattle of northern Siberia.

"A large number of European breeds are under threat because of their perceived lack of economic competitiveness," says the FAO.

It classifies breeds as endangered if there are 1,000 or less breeding females or less than 20 breeding males. Natural disasters, wars and indiscriminate cross-breeding are important causes for the extinction of breeds, it says.

In Asia and the Pacific, the report details 51 breeds at risk, including the Min Pig, which his highly prolific and disease-resistant and capable of surviving in low temperatures, and Javanese Zebu cattle, a breed described as "highly fertile, hardy and resistant to tick-infestation".

Breeds at risk in North America include Florida Cracker cattle, one of the first to enter the United States, and the Imperial Sheep, which is capable of breeding almost all the year round. In Latin America, the Canastra pig, of Brazil, is said to be at risk and also the Blanco Orejinegro cattle, of Colombia.

"Much of the genetic base of indigenous breeds is being eroded by 'grading up' with exotics," says the FAO.

Animal production contributes about 30 per cent to the total value of food and agriculture and diversity of farm animals is vital for food production for future generations, the report points out.

It suggests that breeds should be regularly monitored and incentives given to encourage their use and maintenance.

*The World Watch List for Domestic Animal Diversity, FAO, Via delle Terme di Caracalla, Rome, Italy.*

# Lonrho in $250m Uzbek gold venture

By Kenneth Gooding, Mining Correspondent

More than US$250m will be spent over eight years on a gold mine in the newly-independent republic of Uzbekistan, once part of the former Soviet Union, Lonrho, the UK-based conglomerate, announced yesterday. Lonrho will develop the mine jointly with two Uzbek government-owned companies.

Mining is scheduled to start early in 1996 at an initial annual rate of 320,000 troy ounces, increasing after about four years to full production of 480,000 ounces. The first phase would cost Amantaytau Goldfields, set up to develop the mine, $100m. Lonrho would contribute about $30m and the International Finance Corporation, the private sector investment arm of the World Bank, $5m.

Lonrho gave a strong hint that bacteria might be used to produce the Uzbek gold. The group's 45-per-cent-owned associate, Ashanti Goldfields in Ghana, is at present installing the world's biggest biological oxidation plant, using technology developed by Gencor of South Africa. This will use a naturally-occuring bacteria, *thiobacillus ferro-oxidans*, to release gold from difficult ores instead of employing heat and pressure vessels.

Lonrho said tests carried out so far indicated that the Uzbek ores were particularly amenable to biological oxidation. The process was particularly attractive because it would not leave any harmful soluble materials in the waste to damage the delicate desert ecology – the proposed mine will be in the Kyzylkum desert, about 580km north-west of Tashkent.

Other finance for the project will come from the European Bank for Reconstruction and Development. The UK Know-How Fund helped to finance a pre-feasibility study.

# Smelting to continue at Avonmouth

By Kenneth Gooding

Four weeks after acquiring the UK's sole lead-zinc smelter, at Avonmouth, for A$107m, MIM Holdings, the Australian resources group, is calling for a 19 per cent cut in the workforce, changes in working practices and increased metal production.

However, employees were assured yesterday that, although the European zinc industry is discussing the co-ordinated closure of a smelter, MIM had no intention of shutting Avonmouth.

Mr Alan Pugh, managing director of Mount Isa Holdings (UK), said the new management wanted to lift annual production from Avonmouth to 120,000 tonnes of zinc. The rated capacity of the plant was only 105,000 tonnes but recently it had operated at an annual rate of 111,000 tonnes, he said. Lead production is to be boosted from 45,000 to 55,000 tonnes a year.

MIM, which bought the plant from Pasminco, another Australian company, has started consultations with the unions and is asking for at least 115 volunteers for redundancy from the present workforce of 610.

Mr Pugh said that about 40 per cent of the redundancies would be among managerial, supervisory and support staff.

The remaining employees would be asked to adopt more flexible working practices "to match the best in British industry".

Increased productivity and extra metal production should improve operating profit by £7.5m "to lift Avonmouth from a position of marginal profit to a world-class, low-cost producer of high quality zinc and lead that provides an acceptable return on investment".

Analysts suggested that Avonmouth was safe from closure once MIM took it over.

The smelter uses the ISP (Imperial Smelting Process) technology, which has the capability to process complex feedstocks, including the mixed zinc and lead concentrate to be produced from 1995 at MIM's 70 per cent-owned McArthur River project in the Northern Territory of Australia.

# Gaza's farmers set for peace dividend

## Montague Keen on Israeli efforts to boost the region's agriculture

Malachi Yosi is a worried man. Not far from his clean, modern nursery in the new Moshav settlement of Ein Habesor in the western Negev is the Gaza strip – full of fertile soil, citrus orchards, plastic covered greenhouses and competent farmers impatiently awaiting the dawn of unrestricted trade with all its neighbours.

Until the *intifada* made it too hazardous to be dependent on the regular arrival of Palestinians from across the border, 90 per cent of the 60-odd workers in Mr Yosi's company were Palestinians. Now they comprise less than a third.

With surplus labour from large families earning much lower wages, Gazan farmers can produce high quality fruit and vegetables at half the cost in Israel. While Israel controlled Gazan trade that didn't much matter. But free trade is now an imminent prospect. Hence Mr Yosi's furrowed brow.

Bucketfuls of international money are poised to pour into the Gaza strip, said to be the world's most densely populated region.

And it will be liberally aided by its erstwhile conquerors. However worried Israel's farmers may be about competition, Israel's rulers are far more concerned to get the stricken Gazan economy on its feet and thriving as soon as possible. Not only is this seen as the soundest insurance against extremists: it is also in Israel's interests to channel Gaza's output of intensively-grown produce into export markets. This means not merely encouraging the most up-to-date production techniques in an industry already advanced well beyond its Arab neighbours, but creating a marketing apparatus and export facilities, which at present barely exist, save by courtesy of Israel's own sophisticated export-orientated system.

Professor Avi Nachmias is the man nominated to head a group of Israeli and Palestinian experts to help expand and modernise Gaza's agricultural infrastructure, as part of a wider rehabilitation scheme.

Head of one of the research stations run by Israel's Volcani Institute, the state's highly regarded agricultural research organisation, Prof Nachmias knows how interlocked Gaza's economy is with Israel's. "We want them to export so that they don't undermine Israeli markets," he says. "We hope to get joint enterprises going, because Gaza is dependent on Israel for drinking water, electricity, transport to the West Bank, export facilities... Its agriculture is totally based on the Israeli economy – their seeds and irrigation systems, for example."

How close that connection already is can be seen from the fact that strawberries grown in Gaza account for over 60 per cent of those exported under the Israeli Carmel label. Here you have Palestinian production expertise, involving use of the most modern irrigation techniques, plant varieties and production methods, linked to an Israeli component comprising forwarding, air freight and established marketing services.

Mr Ezra Sadan, one of Israel's most outspoken and influential economists, a former director-general of agriculture and now head of the Volcani, is scathing about the effect of the restrictive licensing system Israel has so far operated to limit competition from Gazan enterprises, notably in textiles, and is confident that free trade, by giving the Palestinians access to a market 30 times its present size, will also generate more joint enterprises with Israel.

Gaza's agriculture has been changing, largely because of growing salinity in the citrus groves (because of substantial over-pumping from the shallow coastal aquifer) and the fact that population growth has outstripped the rate of water replenishment. Together with the depressed prices for oranges in world markets, this has forced Gazan farmers into concentrating on high value, water-economical crops, creating what Mr Sadan recently described as "an utterly modern horticultural industry". In 1991 this comprised 400 hectares of greenhouses (Israel has 2,500 ha) and 700 ha of plastic tunnels. They represented an investment of between $30m and $40m divided among several hundred families.

The horticultural industry is well poised to attack markets in northern Europe and throughout the Middle East. In mid-October the first (official) convoy of 17 produce-laden lorries crossed from Gaza through the West Bank *en route* to Dubai: a harbinger of a potentially booming trade.

For Israel as a whole, with less than 3 per cent of its population now directly involved in farming or horticulture, the liberalisation of trade with Gaza is unlikely to have any serious economic impact. For people like Malachi Yosi, however, a frisson of apprehension is understandable. Nevertheless, the more speedily Israel and the West can help promote Gaza's ravaged economy and raise its living standards, and wages, the less painful will be this modest price for peace.

## COMMODITIES PRICES

### BASE METALS

LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)

| | Cash | 3 mths |
|---|---|---|
| **ALUMINIUM, 99.7 PURITY ($ per tonne)** | | |
| Close | 1038-9 | 1059.5-60 |
| Previous | 1055-6 | 1076-7 |
| High/low | 1039 | 1069/1053.5 |
| AM Official | 1039-9.5 | 1059-9.5 |
| Kerb close | | 1062.5-3 |
| Open int. | 254,057 | |
| Total daily turnover | 41,380 | |
| **ALUMINIUM ALLOY ($ per tonne)** | | |
| Close | 933-4 | 954-5 |
| Previous | 933-5 | 957-8 |
| High/low | 933/929 | 950 |
| AM Official | 932-3 | 950-5 |
| Kerb close | | 954-5 |
| Open int. | 2,515 | |
| Total daily turnover | 110 | |
| **LEAD ($ per tonne)** | | |
| Close | 400.5-1.5 | 414-5 |
| Previous | 402-3 | 415.5-6 |
| High/low | | 415/413 |
| AM Official | 399-400 | 413.5-4 |
| Kerb close | | 414.5-5.5 |
| Open int. | 25,761 | |
| Total daily turnover | 2,192 | |
| **NICKEL ($ per tonne)** | | |
| Close | 4685-90 | 4745-8 |
| Previous | 4700-5 | 4760-5 |
| High/low | 4683 | 4775/4720 |
| AM Official | 4680-3 | 4740-5 |
| Kerb close | | 4770-5 |
| Open int. | 46,452 | |
| Total daily turnover | 7,707 | |
| **TIN ($ per tonne)** | | |
| Close | 4560-70 | 4610-20 |
| Previous | 4605-15 | 4660-5 |
| High/low | | 4650/4580 |
| AM Official | 4565-70 | 4615-20 |
| Kerb close | | 4605-10 |
| Open int. | 14,754 | |
| Total daily turnover | 4,878 | |
| **ZINC, special high grade ($ per tonne)** | | |
| Close | 915.5-6.5 | 933.5-4 |
| Previous | 920-1 | 938-9 |
| High/low | | 936/930 |
| AM Official | 915-6 | 932-2.5 |
| Kerb close | | 936-7 |
| Open int. | 78,648 | |
| Total daily turnover | 17,604 | |
| **COPPER, grade A ($ per tonne)** | | |
| Close | 1629.5-30.5 | 1653-3.5 |
| Previous | 1635.5-6 | 1658-8.5 |
| High/low | 1623.5/1623 | 1657/1645 |
| AM Official | 1622.5-3 | 1648-8.5 |
| Kerb close | | 1655-6 |
| Open int. | 201,584 | |
| Total daily turnover | 34,083 | |

LME AM Official £/$ rate: 1.4906
LME Closing £/$ rate: 1.4863
Spot: 1.4880 3 mths: 1.4806 6 mths: 1.4753 9 mths: 1.4707

HIGH GRADE COPPER (COMEX)

### PRECIOUS METALS

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

| Gold (Troy oz.) | $ price | £ equiv. |
|---|---|---|
| Close | 375.80-376.20 | |
| Opening | 378.30-378.70 | |
| Morning fix | 376.10 | 252.620 |
| Afternoon fix | 376.35 | 252.245 |
| Day's High | 376.75-377.25 | |
| Day's Low | 375.00-375.50 | |
| Previous close | 376.00-376.50 | |

Loco Ldn Mean Gold Lending Rates (Vs US$)

| | | | |
|---|---|---|---|
| 1 month | 2.70 | 6 months | 2.73 |
| 2 months | 2.71 | 12 months | 2.70 |
| 3 months | 2.71 | | |

| Silver Fix | p/troy oz. | US cts equiv. |
|---|---|---|
| Spot | 311.85 | 464.50 |
| 3 months | 315.85 | 468.15 |
| 6 months | 319.45 | 471.85 |
| 1 year | 327.20 | 480.35 |

| Gold Coins | $ price | £ equiv. |
|---|---|---|
| Krugerrand | 378.00-381.00 | 253.00-256.00 |
| Maple Leaf | 387.35-389.80 | |
| New Sovereign | 89.00-91.00 | 59.00-62.00 |

### Precious Metals continued

GOLD COMEX (100 Troy oz.; $/troy oz.)

PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

SILVER COMEX (100 Troy oz.; Cents/troy oz.)

### ENERGY

CRUDE OIL NYMEX (42,000 US galls. $/barrel)

CRUDE OIL IPE ($/barrel)

HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

GAS OIL IPE ($/tonne)

NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

### GRAINS AND OIL SEEDS

WHEAT LCE (£ per tonne)

WHEAT CBT (5,000bu min; cents/60lb bushel)

MAIZE CBT (5,000 bu min; cents/56lb bushel)

BARLEY LCE (£ per tonne)

SOYABEANS CBT (5,000bu min; cents/60lb bushel)

SOYABEAN OIL CBT (60,000lbs; cents/lb)

SOYABEAN MEAL CBT (100 tons; $/ton)

POTATOES LCE (£/tonne)

FREIGHT (BIFFEX) LCE ($10/index point)

COTTON

Liverpool- Spot and shipment sales amounted to 60 tonnes for the week ended November 19, against 36 tonnes in the previous week. Subdued offtake did not bring many operations. Support was forthcoming in certain specialist styles, notably in the Syrian range.

### SOFTS

COCOA LCE (£/tonne)

COCOA CSCE (10 tonnes; $/tonnes)

COCOA (ICCO) (SDR's/tonne)

COFFEE LCE ($/tonne)

COFFEE 'C' CSCE (37,500lbs; cents/lbs)

COFFEE (ICO) (US cents/pound)

No7 PREMIUM RAW SUGAR LCE (cents/lbs)

WHITE SUGAR LCE ($/tonne)

SUGAR '11' CSCE (112,000lbs; cents/lbs)

COTTON NYCE (50,000lbs; cents/lbs)

ORANGE JUICE NYCE (15,000lbs; cents/lbs)

### INDICES

| REUTERS (Base: 18/9/31=100) | | | |
|---|---|---|---|
| Nov 24 | Nov 23 | month ago | year ago |
| 1619.9 | 1621.3 | 1585.8 | 1645.7 |

| CRB Futures (Base: 1967=100) | | | |
|---|---|---|---|
| Nov 23 | Nov 22 | month ago | year ago |
| 222.18 | 223.71 | | 202.09 |

### MEAT AND LIVESTOCK

LIVE CATTLE CME (40,000lbs; cents/lbs)

LIVE HOGS CME (40,000lbs; cents/lbs)

PORK BELLIES CME (40,000lbs; cents/lb)

### LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

ALUMINIUM (99.7%) LME

COPPER (Grade A) LME

COFFEE LCE

COCOA LCE

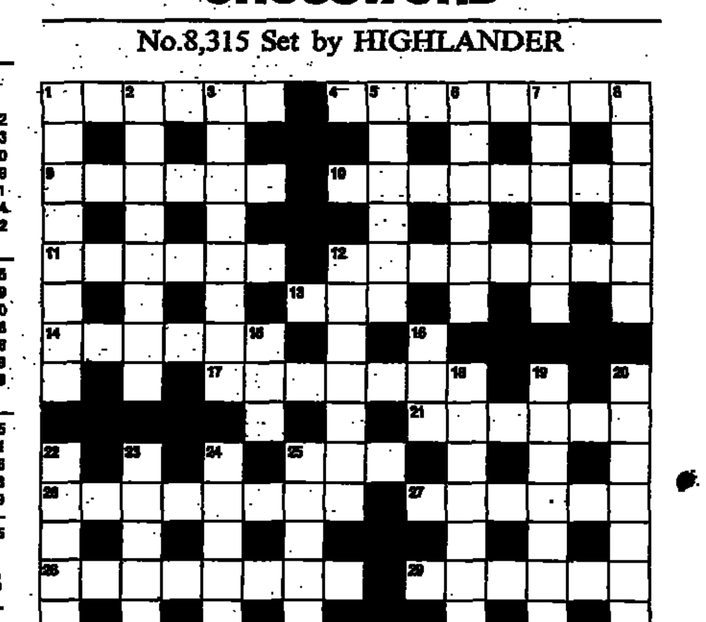
BRENT CRUDE IPE

### LONDON SPOT MARKETS

| CRUDE OIL FOB (per barrel/Jan) | | +or- |
|---|---|---|
| Dubai | $13.53-3.58 | -0.28 |
| Brent Blend (dated) | $15.06-5.08 | -0.17 |
| Brent Blend (Jan) | $15.32-5.34 | -0.15 |
| W.T.I. (1 pm est) | $16.53-6.55 | [illegible] |
| **OIL PRODUCTS NWE prompt delivery CIF (tonne)** | | |
| Premium Gasoline | $165-167 | -2 |
| Gas Oil | $172-174 | +1.5 |
| Heavy Fuel Oil | $61-62 | +1 |
| Naphtha | $150-153 | |
| Jet fuel | $186-189 | +1.5 |
| Petroleum Argus Estimates | | |
| **OTHER** | | |
| Gold (per troy oz) | $376.00 | -0.25 |
| Silver (per troy oz) | 465.50c | +1.00 |
| Platinum (per troy oz.) | $372.75 | -3.05 |
| Palladium (per troy oz.) | $125.10 | -1.15 |
| Copper (US prod.) | 78.5c | |
| Lead (US prod.) | 32.75c | |
| Tin (Kuala Lumpur) | 11.91r | +0.02 |
| Tin (New York) | 213.5c | |
| Zinc (US Prime W.) | Unq. | |
| Cattle (live weight) | 119.12p | +2.03* |
| Sheep (live weight) | 89.40p | +2.76* |
| Pigs (live weight) | 72.69p | +0.80* |
| Lon. day sugar (raw) | $257.70 | -1.60 |
| Lon. day sugar (wte) | $285.00 | -1.40 |
| Tate & Lyle export | £294.00 | -2.60 |
| Barley (Eng. feed) | £109.50y | |
| Maize (US No3 Yellow) | £129.50 | |
| Wheat (US Dark North) | £173.00 | |
| Rubber (Aug) | 60.25p | |
| Rubber (Sep) | 60.75p | |
| Rubber (KL RSS No1 Jul) | 208.0m | |
| Coconut Oil (Phil) | $460.0t | +10.0 |
| Palm Oil (Malay) | $377.5y | |
| Copra (Phil) | $317.50 | |
| Soyabeans (US) | £203.0t | |
| Cotton Outlook 'A' index | 56.50c | +0.25 |
| Wooltops (64s Super) | 350p | |

## CROSSWORD

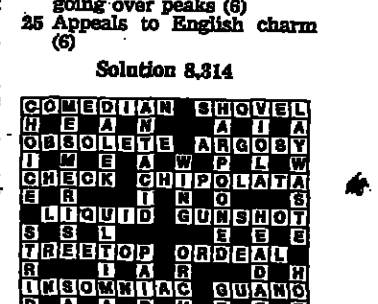
No.8,315 Set by HIGHLANDER



ACROSS
1 Fit to enter race? Take a pill (6)
4 Drink left on rotating conveyor (8)
9 Coppers' shift? (6)
10 Prevent high-pitched sound coming to an end (8)
11 Be disposed to secure explosive, otherwise finis (3,5)
12 Go round inside to be hand in glove (6)
13 Vehicle in front (3)
14 Wound on a spool that's staggered (5)
17 Music to accompany session of money-raising for charity? (7)
21 Please leave tops on corrosive substance to be collected (6)
25 2 0 in favour (3)
26 Cabin window left undamaged according to statement (8)
27 Fail to take responsibility for constable getting away (3,3)
28 Looking back, John and Margo liked to include more than two pounds (8)
29 It's said young deer look carefully at local animal groups (6)
30 Any to set off? Not so far (3,5)
31 Minor manufacturer's dance (6)

DOWN
1 Pet turns up before I go quiet (8)
2 Chain for two allowed (8)
3 It takes gene nucleus plus sex to procreate (8)
5 Bill gets into wrong suit (6)
6 Large game bird (6)
7 Snub second match with minor (6)
8 African encampments lack a range of drinks (6)
13 Two helpings of salt on top of egg sauce (7)
15 Not good mounts for fish (3)
16 A representative's current strength (3)
18 Place offering great riches to extravagant old dear with nothing (8)
19 Glass vessel (8)
20 Publisher's employee resisted change (8)
22 Expressed as "dig between two points" (6)
23 Band that's worn constitutes a marine obstacle (6)
24 Some body parts start tiring going over peaks (6)
25 Appeals to English charm (6)

Solution 8,314



JOTTER PAD

# LONDON STOCK EXCHANGE

MARKET REPORT

## Shares steady in modest trading volume

By Terry Byland,
UK Stock Market Editor

Institutional investors could find nothing to go for yesterday in a London market where base rate hopes have been fulfilled; share prices drifted aimlessly in the general direction of Budget Day, next Tuesday. Although trading volume remained fairly good, business largely focused around company statements and special situations.

London paid little heed to the early firmness on Wall Street, where the Thanksgiving Day holiday is expected to extend until the weekend. After moving erratically through a narrow range, the FT-SE 100 Index closed 2.1 down at 3,067.2. Sentiment appeared to soften in the final minutes after suggestions that Pilkington, the glassmaker, planned to make a rights issue.

The stock market made a slow start, with City workers struggling into their offices against a background of serious disruption of London's underground rail network. In the first hour of trading, interest was largely confined to a batch of share placings among relatively small companies which kept some traders busy without exciting the market.

Blue chip internationals were generally easier, shying away ahead of Wall Street's likely torpor rather than responding to firmness on other European bourses. Pharmaceutical stocks acted as a drag on the market and oil shares lacked decision while the market continued to keep a wary eye on the weakness of global prices for crude oil.

On the domestic front, store and retail issues, the prime beneficiaries from lower interest rates, gave ground as traders waited see if Mr Kenneth Clarke, the UK chancellor of the exchequer, has any unpleasant surprises for them when he delivers his Budget speech.

However, there was activity among the UK television stocks as the government proposed limited changes in rules governing commercial television ownership.

| Account Dealing Dates | | |
|---|---|---|
| *First Dealings: | | |
| Nov 15 | Nov 29 | Dec 13 |
| Option Declarations: | | |
| Nov 25 | Dec 9 | Dec 30 |
| Last Dealings: | | |
| Nov 26 | Dec 10 | Dec 31 |
| Account Day: | | |
| Dec 6 | Dec 20 | Jan 10 |

*New time dealings may take place from two business days earlier.

Equity strategists continued to express disappointment that the half-point cut in base rates announced on Tuesday almost certainly rules out another cut in the Budget. "We had been hoping for one per cent (cut)," commented Mr Robin Aspinall at Panmure Gordon, the UK brokerage house. He pointed out the Bank of England should be more market sensitive than the chancellor, a fact which he thinks will create more avid speculation about rate cuts in the future.

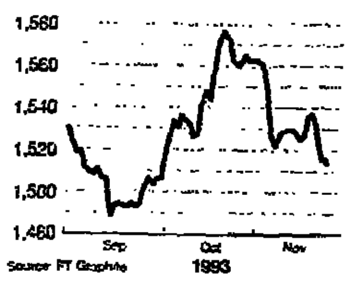
Nervousness over the general outlook for global markets also continued to run high, with London traders responding cautiously to comments on the GATT talks prospects from France. Mr Nicholas Knight, the strongest bull of the London market, told clients that they should "worry less about US, more about Japan."

He believes that Wall Street has ridden fairly comfortably through the scare that US interest rates may be about to rise. But he advises selling into any rally in the Japanese market. For the UK, he reiterates the view expressed by many UK strategists that this week's cut in base rates surprised only in its timing and that "stock prices are going up – period."

Seaq trading volume, at 567.1m shares, against 667.1m in the previous session, was relatively good but the total was swollen by activity in some of the second-line issues.

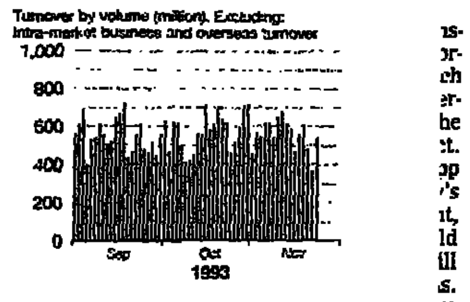
On Tuesday, retail, or customer, business recovered from recent weakness to return a value total of £1.58bn in spite of the turbulence in the market as the base rate cut was digested.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

**Indices and ratios**

| | | | | | |
|---|---|---|---|---|---|
| FT SE 100 | 3067.2 | -2.1 | FT Ordinary index | 2329.9 | +1.9 |
| FT-SE Mid 250 | 3430.7 | -8.5 | FT-A 500 p/e | 19.60 | (19.72) |
| FT-SE-A 350 | 1530.9 | -1.7 | FT-SE 100 Fut Dec | 3070.0 | +3.0 |
| FT-A All-Share | 1515.21 | -1.85 | 10 yr Gilt yield | 6.73 | (6.72) |
| FT-A All-Share yield | 3.76 | (3.76) | Yield ratio | 1.93 | (1.93) |

| Best performing sectors | | Worst performing sectors | |
|---|---|---|---|
| 1 Insurance (Composite) | +2.1 | 1 Electricity | -2.0 |
| 2 Engineering-Aerospace | +1.3 | 2 Motors | -1.3 |
| 3 Banks | +1.0 | 3 Health & Household | -0.9 |
| 4 Financial Group | +0.9 | 4 Stores | -0.9 |
| 5 Merchant Banks | +0.8 | 5 Hotels & Leisure | -0.7 |

## TV stocks on bid alert

Television provided a glimmer of activity in an otherwise dull London market yesterday as the government finally gave the go-ahead for mergers within the sector.

Investors had expected the news last week and have been preparing themselves for a rash of bids for some time. But there was surprise over a couple of riders in the announcement which could impinge on the future of Yorkshire-Tyne Tees, Scottish and HTV.

Yorkshire-Tyne Tees had been considered as a prime bid candidate, but Mr Peter Brooke, the national heritage minister, said one company would only be allowed to hold two regional licences. Dealers said that, as Yorkshire-Tyne Tees already represented two regions, it would be protected. Consequently, the share price fell 17 to 194p.

Analysts had also anticipated that the national status of the Welsh and Scottish channels would have been protected but there was no exclusion clause in the final announcement and the possibility of bids sent HTV up 4 to 92p and Scottish 5 higher at 449p. Among the more likely bid targets, Anglia rose 8 to 436p and Central improved 77 to 2170p.

### Kingfisher sold

Stores conglomerate Kingfisher came under pressure as poor French economic data combined with the postponement of a subsidiary's results to hit the shares. They finished 13 down at 654p, although turnover was a lowly 1m. Analysts said that the company had postponed preliminary results from Darty, the French electrical retail arm purchased last February for £560m, due next week. While Kingfisher said the one month's delay was to enable a more detailed set of results to be published, some in the market read the move with suspicion. The shares were not helped by publication of dull French household consumption figures.

However, Kingfisher was not alone in a weak stores sector, undermined by press headlines forecasting a tough Budget next week for consumers following the base rate cut on Tuesday. Among those hurt, Dixons slipped 5 to 265p, Great Universal Stores 6 to 555p and Marks and Spencer 3 to 404p.

Big turnover was seen in Burton as one US institution sold some 19.4m shares at 63p to Lehman Brothers which sold them on at 63¾p. With total turnover showing only 30m being traded by the close, there were suggestions that possibly not all the stock had been placed.

Azlan, the leading value-added distribution group to the network computing market, made a highly successful debut in the market. The shares, offered at 230p, moved up steadily throughout the session, closing at 241p. Turnover totalled 7.1m shares.

Another successful market debut was seen, this time from DFS Furniture, which came to the market at 260p, closing 11 ahead at 271p.

The absence of any hard news from the Opec meeting in Vienna left the oil sector in limbo. Analysts said there were suggestions that a 2 per cent output cut may be achieved by Opec members. "That would be viewed favourably by the market at the outset but longer term would be cutting things too fine. A deep cut, and stringent discipline is needed, or oil prices could easily slip another $2 to $3 a barrel." One senior oil analyst said that the near term performance of the oil sector "depends entirely on Opec's ability to achieve a workable output accord; if they don't the sector will go sharply lower."

Shell Transport managed a minor improvement at 687p following a presentation in London to UK oil analysts. Analysts said the meeting produced an extremely solid performance by Shell, with the company communicating its determination to cut costs and raise the return of capital. "There was not much for the bears to get their teeth into," said one analyst who attended the meeting.

Sugar and sweetener group Tate and Lyle produced results at the top end of market forecasts and together with an upbeat statement sent the shares smartly forward. They closed 9 ahead at 395p. However, analysts pointed out that operating profits, which were up 11.2 per cent, would have actually slipped once currency benefits and the effect of the pound's devaluation on EU sugar support prices had been stripped out.

Figures from Kwik Save, the discount supermarket operator, met analysts expectations. However, the company cautioned over the increasingly tough price competition in the industry. The shares retreated 9 to 573p.

Further trouble for Euro Disney, the loss-making theme park operator, as the shares swift retreat in Paris prompted three separate suspensions. A rumour that the group's creditor bankers were planning the setting up of a committee to help in any restructuring was being heard. On Tuesday, there was also speculation that big creditors were attempting to sell their loans at a hefty discount. In London, the shares closed 62 down at 318p.

Thorn EMI shares weakened on cautious comment after Tuesday's results, closing 19 down at 895p. There was also news reports that Thorn's music division had spent $200m acquiring Michael Jackson's music catalogue, but the company finally denied the story after the market had closed.

Bank shares rallied after the mauling they received on Tuesday when the market reeled from worries about shrinking margins and talk that a leading broker had prepared a bearish review of the sector.

Barclays ran up 6 to 554p, Lloyds and NatWest 4 apiece to 567p and 529p and HSBC, with buying fuelled by the rise on the Hong Kong market, up 12 to 733p.

Scotia, the research-based pharmaceutical group, jumped 9 to 287p after it was announced that a treatment being developed by the company to combat cancer might also be used to fight the HIV Aids virus. Wellcome, which manufactures the leading Aids Treatment, Retrovir, fell 5 to 615p.

Automotive components manufacturer BSG International tumbled 12½ to 56½p after issuing a profits warning. The news pulled down T&N, off 4 at 190p, with GKN off the same amount at 480p.

There was also a profits warning from aerospace component producer AIM Group, the shares crashing 30 to 143p.

Glass manufacturer Pilkington managed a modest improvement to 152p on turnover of 1.5m despite late hints around the market that the company may be about to launch a sizeable rights issue.

News of the profits warning from Philip Morris came too late to impact on the London market, although their weakness hinted at some inkling among some investors. BAT Industries slipped 5 to 485p and Rothmans 2 to 418p.

**MARKET REPORTERS:**
Christopher Price,
Peter John,
Steve Thompson.

■ Other statistics, Page 20

■ NEW HIGHS AND LOWS FOR 1993

[illegible]

## EQUITY FUTURES AND OPTIONS TRADING

Traded options took centre stage in London's equity derivative dealings yesterday as volumes were boosted by expiry of the November series, writes Peter John.

Equity options turnover represented more than half of the total options volume of just over 56,000 contracts as dealers rolled out their holdings. Royal Insurance with 2,716 lots traded, GEC (2,312 lots), BT (1,805), British Aerospace (1,681), Vodafone (1,310) and Guinness (1,174) all had expiring November series yesterday.

However, the most active stock option – National Power with 3,501 lots dealt – was the result of one very large bearish deal carried out by a leading UK securities house. Dealers said BZW bought 3,500 puts, options giving the right but not the obligation to sell stock at a fixed price and time, expiring in March at 390p. BZW was not available for comment

The out-of-the-money options, priced at 11p and 12p per share and representing 3.5m shares, was seen as representing protection against the stock falling over the next four months. National Power shares slipped 8 to 399p in the underlying market.

Futures trade was very quiet after Tuesday's frenetic trading. The December contract on the Footsie opened up at 3,072 and hit a high of 3,086 in mid-morning. December ticked all the way back to 3,062 by the afternoon but it clawed its way back to 3,070 by the official close, some four points above cash. Volume was a pitiful 7,670 contracts during official dealing.

● Elsewhere on Liffe, long gilt futures for December were the most active series with more than 91,000 lots dealt.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 3072.0 | 3070.0 | 3.0 | 3086.0 | 3062.0 | 7963 | 55135 |
| Mar | 3091.0 | 3087.5 | 3.0 | 3100.0 | 3085.0 | 497 | 13122 |
| Jun | 3105.0 | 3097.5 | 3.0 | 3105.0 | 3105.0 | 1 | 961 |

Contract traded on APT. Open interest figures are for previous day.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3066) £10 per full index point

| | 2900 C | 2900 P | 2950 C | 2950 P | 3000 C | 3000 P | 3050 C | 3050 P | 3100 C | 3100 P | 3150 C | 3150 P | 3200 C | 3200 P | 3250 C | 3250 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Dec | 188½ | 15 | 142½ | 26½ | 101 | 32 | 67½ | 47½ | 38 | 74½ | 21½ | 106 | 10½ | 147½ | 5 | 195½ |
| Jan | 204½ | 31½ | 167 | 43 | 131½ | 55½ | 98 | 74½ | 78 | 97 | 48 | 127 | 33 | 162½ | 20½ | 203½ |
| [illegible] | | | | | | | | | | | | | | | | |

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

## TRADING VOLUME

■ Major Stocks yesterday

| | Vol. 000s | Closing price | Day's change |
|---|---|---|---|
| ASDA Group† | 8,500 | 62½ | +1 |
| Abbey National† | 3,000 | 403 | +2 |
| Albert Fisher | 1,500 | 60 | |
| Allied-Lyons† | 929 | 575 | +7 |
| Anglian Water† | 1,800 | 538 | +1 |
| Argos | 1,400 | 334 | +1 |
| Argyll Group† | 2,800 | 262 | -4 |
| Arjo Wiggins† | 1,300 | 232 | +1 |
| Assoc. Brit. Foods† | 278 | 500 | |
| Ass. Brit. Ports | 512 | 489 | +3 |
| BAA† | 1,300 | 924 | -8 |
| BAT Inds.† | 1,700 | 485 | -5 |
| BET | 2,300 | 128½ | +½ |
| BICC | 422 | 387 | -3 |
| BOC† | 891 | 618 | +1 |
| BP† | 4,100 | 343 | -½ |
| BPB Inds. | 1,000 | 267 | +4 |
| BT† | 6,300 | 454 | -3½ |
| BT (P/Paid) | 4,800 | 204 | -1½ |
| BTR† | 3,700 | 344 | -4½ |
| Bank of Scotland† | 2,000 | 185 | -2 |
| Barclays† | 2,700 | 554 | +6 |
| Bass† | 3,700 | 472 | +1 |
| Blue Circle† | 4,400 | 317 | +2 |
| Booker | 772 | 402 | -1 |
| Boots† | 1,900 | 520 | -2 |
| Bowater† | 1,100 | 435 | -3 |
| Brit. Aerospace† | 1,700 | 412 | -3 |
| British Airways† | 3,300 | 414 | +1 |
| British Gas† | 8,500 | 324 | +2 |
| British Land | 465 | 420 | +4 |
| British Steel† | 1,100 | 118 | |
| Bunzl | 685 | 190 | |
| Burmah Castrol† | 322 | 727 | -7 |
| Burton | 30,000 | 64 | -2 |
| Cable & Wire.† | 3,400 | 468 | +6 |
| Cadbury Schweppes† | 583 | 445 | -2 |
| Calor Group | 124 | 298 | +1 |
| Caradon† | 851 | 333 | +1 |
| Carlton Comms.† | 557 | 770 | +1 |
| Coats Viyella† | 3,900 | 280 | |
| Comm. Union† | 833 | 589 | +11 |
| Cookson | 868 | 201 | -2 |
| Courtaulds† | 1,500 | 428 | +5 |
| Dalgety | 245 | 461 | +2 |
| De La Rue | 727 | 794 | -5 |
| Dixons | 2,500 | 265 | -5 |
| Eastern Elect. | 868 | 589 | -13 |
| East Midland Elect. | 583 | 560 | -15 |
| Eng China Clays | 423 | 409 | -6 |
| Enterprise Oil† | 1,000 | 454½ | +½ |
| Eurotunnel Units | 180 | 442 | +8 |
| FKI | 430 | 181 | |
| Fisons | 1,800 | 140 | +½ |
| Foreign & Col. I.T. | 1,000 | 263 | -½ |
| Forte† | 1,300 | 231 | |
| Gen. Accident† | 1,200 | 640 | +1 |
| General Elect.† | 4,300 | 334½ | +1½ |
| Glaxo† | 2,200 | 636 | -7 |
| Glynwed Int. | 134 | 305 | |
| Granada† | 1,500 | 445 | -11 |
| Grand Met.† | 2,600 | 378 | -7 |
| GUS† | 1,100 | 555 | -6 |
| GRE† | 877 | 200 | +8 |
| GKN | 1,500 | 480 | -4 |
| Guinness† | 1,800 | 433 | |
| HSBC (75p shs)† | 2,800 | 733 | +12 |
| [illegible] | | | |

## FT-SE Actuaries Share Indices — The UK Series

[illegible]

■ FT-Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

# LONDON EQUITIES

## LIFFE EQUITY OPTIONS

| Option | | Calls Jan | Calls Apr | Calls Jul | Puts Jan | Puts Apr | Puts Jul |
|---|---|---|---|---|---|---|---|
| Allied Lyons | 550 | 33½ | 47 | 52½ | 12½ | 19½ | 32½ |
| (*574) | 600 | 9½ | 23 | 28 | 41½ | 48½ | 61 |
| Argyll | 260 | 14 | 23 | 27 | 14 | 18 | 25 |
| (*262) | 280 | 6 | 14½ | 18½ | 27½ | 30½ | 37½ |
| ASDA | 50 | 6½ | 8 | 10½ | 3 | 5 | 6 |
| (*52) | 60 | 2½ | 4 | 6 | 9 | 11½ | 12½ |
| Brit Airways | 390 | 34½ | 44 | 51 | 10½ | 16 | 24½ |
| (*413) | 420 | 17½ | 28 | 35½ | 24½ | 30 | 39½ |
| Smith Bchm A | 390 | 28 | 38½ | 48 | 15½ | 25½ | 31½ |
| (*397) | 420 | 15 | 25½ | 35½ | 33 | 42 | 48½ |
| Boots | 500 | 34½ | 47½ | 56 | 9 | 16 | 26 |
| (*520) | 550 | 9½ | 22 | 30 | 36½ | 43½ | 52 |
| [illegible] | | | | | | | |

| Option | | Calls Nov | Calls Feb | Calls May | Puts Nov | Puts Feb | Puts May |
|---|---|---|---|---|---|---|---|
| Hanson | 260 | 20 | 23 | 26 | 1 | 5 | 8 |
| (*278) | 280 | 1 | 10½ | 15 | 3 | 13 | 17 |
| Lasmo | 130 | 4½ | 16 | 19 | 1 | 6 | 13 |
| (*134) | 140 | 1 | 11 | 13½ | 7 | 14 | 18½ |
| Lucas Inds | 160 | 13½ | 21 | 24 | 1 | 7 | 10½ |
| (*171) | 180 | 1 | 9 | 14 | 10½ | 18 | 21 |
| P & O | 550 | 22½ | 43½ | 53 | 1 | 15½ | 25½ |
| (*569) | 600 | 1 | 18 | 28 | 32 | 43 | 53 |
| Pilkington | 140 | 14 | 17 | 21½ | 1 | 6 | 8½ |
| (*152) | 160 | 1 | 7 | 11 | 8½ | 17½ | 19½ |
| Prudential | 330 | ½ | 17 | 22½ | 1 | 13 | 21½ |
| (*330) | 360 | 1 | 6½ | 10½ | 31 | 33 | 41½ |
| [illegible] | | | | | | | |

## RISES AND FALLS YESTERDAY

[illegible]

## LONDON RECENT ISSUES: EQUITIES

[illegible]

## RIGHTS OFFERS

[illegible]

## FINANCIAL TIMES EQUITY INDICES

[illegible]

## TRADITIONAL OPTIONS

[illegible]

# LONDON SHARE SERVICE

## AMERICANS

| | Notes | Price £ | + or – | 1993 high | 1993 low | Mkt Cap£m | Yld Gr's |
|---|---|---|---|---|---|---|---|
| Abbott Labs | | 19¼ | — | 20⅞ | 15⅝ | 16,110 | 2.4 |
| Allegheny & W | ♥ | 473p | — | 722p | 389p | 271.0 | 4.2 |
| Amdahl | | 321p | — | 591p | 294p | 360.5 | 1.0 |
| Amer Cyanamid | | 35⅝ | — | 39 | 31¼ | 3,178 | 3.3 |
| Amer Express | | 20⅞ | +⅛ | 25⅞ | 14⅞ | 9,775 | 3.3 |
| Amer T & T | | 37⅝xd | –¼ | 43¼ | 33⅛ | 50,702 | 2.3 |
| Ameritech | | 51⅞ | — | 58⅛ | 46 | 22,712 | 4.8 |
| Anheuser-Busch | | 33⅞xd | +⅜ | 41¼ | 29⅛ | 9,218 | 2.9 |
| BankAmerica | | 28⅛xd | +½ | 38⅛ | 27⅛ | 10,087 | 3.3 |
| Bankers NY | | 51 | +⅛ | 54⅛ | 42⅝ | 4,209 | 4.1 |
| Bell Atlantic | | 39⅛ | — | 44¼ | 32¼ | 17,008 | 4.6 |
| BellSouth | | 37⅛ | — | 42⅝ | 32⅝ | 18,339 | 5.0 |
| Bethlehem Steel | ♥ | 11⅞ | –⅛ | 13¼ | 8½ | 1,029 | – |
| Bowater | | 1338p | — | 1682p | 1189p | 484.1 | 3.0 |
| CPC | | 31⅞ | –⅛ | 34⅝ | 35 | 4,788 | 2.7 |
| California Engy | | 1195p | — | 1478p | 1086p | 217.6 | – |
| Chase Manhattan | | 22 | +⅛ | 24⅞ | 17⅞ | 3,434 | 3.7 |
| Chrysler | | 35⅛ | –¼ | 39 | 21⅛ | 10,286 | 1.1 |
| Citicorp | | 23⅞ | +⅞ | 26 | 13⅞ | 8,587 | – |
| Colgate-Palm | | 39⅛ | –⅛ | 46⅝ | 32 | 6,247 | 2.5 |
| Cont'l Bank | | 1615p | — | 1877p | 1278p | 1,632 | 2.5 |
| Dana | | 37 | +⅝ | 39⅞ | 29⅞ | 1,689 | 2.9 |
| Data General | | 636p | — | 951p | 527p | 175.5 | – |
| Decora Inds | ♥ | 100p | — | 148p | 98p | – | – |
| Dun & Brad | | 43 | — | 45⅞ | 37⅛ | 7,687 | 3.8 |
| Eaton | | 34¼ | — | 37⅛ | 25⅞ | 2,417 | 2.3 |
| Echlin | | 22 | –⅛ | 22⅞ | 15⅞ | 1,282 | 2.1 |
| FPL | | 24⅛ | +⅞ | 27⅛ | 23¼ | 4,428 | 6.8 |
| Ford Motor | | 39⅞ | –⅞ | 43⅞ | 29⅞ | 19,648 | 2.7 |
| Gen Elect | | 68½ | — | 67⅞ | 53⅛ | 58,793 | 2.5 |
| General Host | ♥ | 435p | +13 | 723p | 456p | – | 4.6 |
| Gillette | | 42⅞xd | –½ | 43⅞ | 31⅞ | 9,270 | 1.3 |
| Hasbro | | 20⅞ | — | 20⅞ | 20⅞ | 1,819 | 0.8 |
| Honeywell | | 21⅛xd | +⅛ | 26½ | 20⅞ | 4,509 | 3.0 |
| Houston Inds | | 31⅛ | — | 33¼ | 28¼ | 4,031 | 6.4 |
| Ingersoll-Rand | | 26⅛xd | +½ | 25⅞ | 19⅝ | 2,637 | 1.9 |
| Lockheed | | 47½ | — | 47⅞ | 35⅛ | 2,945 | 3.0 |
| Lowe's | | 3544p | — | 3546p | 1573p | 2,585 | 0.6 |
| Maby Technology | | 335p | — | 432p | 127p | – | – |
| Merrill Lynch | | 99⅓ | +⅞ | 66⅓ | 37 | 9,510 | 1.8 |
| Morgan (JP) | | 46⅞xd | –⅛ | 92⅛ | 35¼ | 8,887 | 3.4 |
| Morris (Philip) | $ | 37 | –⅓ | 52⅝ | 28 | 32,424 | 4.7 |
| NYNEX | h | 27⅓ | — | 32⅞ | 26⅛ | 5,654 | 5.7 |
| Pall | | 12⅝ | — | 15 | 10⅞ | 1,465 | 1.7 |
| Pennzoil | | 39⅞xd | –⅞ | 47⅛ | 31⅞ | 1,755 | 5.1 |
| Quaker Oats | | 48⅞ | +¼ | 50⅞ | 39⅞ | 3,524 | 2.9 |
| Questen | | 235p | –2 | 687p | 491½p | 22.2 | – |
| Rockwell | | 23xd | +⅞ | 24⅞ | 18⅞ | 5,044 | 2.9 |
| Rep NY | | 30⅝ | –⅞ | 37⅞ | 29⅛ | 1,602 | 2.4 |
| Sears, Roebuck | | 38¼xd | –½ | 39⅞ | 18⅞ | 9,387 | 2.9 |
| Sthwestern Bell | h | 27⅞ | — | 30½ | 23⅛ | 16,455 | 3.7 |
| Sun Co | | 21⅛ | — | 21⅞ | 14⅛ | 2,285 | 5.6 |
| Tenneco | | 33⅞xd | +⅞ | 38⅛ | 25½ | 5,622 | 3.2 |
| Texaco | | 44⅞xd | –⅛ | 48⅞ | 37⅛ | 11,530 | 4.6 |
| Time Warner | | 29⅞ | +½ | 30⅝ | 18⅝ | 11,585 | 0.7 |
| Unilab | ♥ | 394p | — | 508p | 359p | 179.4 | – |
| US West | | 31⅛ | — | 35 | 24⅛ | 12,951 | 4.6 |
| Varity | | 2639p | — | 3839p | 1686p | 798.0 | – |
| WMX Technologies | | 16⅞ | +⅞ | 27⅞ | 15⅞ | 8,282 | 2.4 |
| Whirlpool | | 4060p | — | 4577p | 2924p | 2,838 | 2.0 |
| Woolworth | ♥ | 15⅛ | –⅓ | 21½ | 14 | 1,988 | 5.1 |

## CANADIANS

| | Notes | Price £ | + or – | 1993 high | 1993 low | Mkt Cap£m | Yld Gr's |
|---|---|---|---|---|---|---|---|
| Amer Barrick | | 1822p | –33 | 2007p | 890½p | 5,194 | 0.3 |
| Bk Montreal | h | 12⅛ | — | 14⅛ | 11⅞ | 3,170 | 4.4 |
| Bk Nova Scot | | 1434p | — | 1538p | 1111p | 3,013 | 3.9 |
| BC Gas | ♥ | 829p | –19 | 876p | [illegible] | – | 3.7 |
| BCE | | 23⅛ | — | 28⅓ | 20⅝ | 7,121 | 5.7 |
| Brascan | ♥ | 758p | — | 774p | 454p | 625.1 | 6.9 |
| Breakwater | ♥ | 7p | –1 | 16½p | 4⅞p | 4.45 | – |
| Can Imp Bk | | 1517p | — | 1749p | 1238p | 3,152 | 4.4 |
| Can Pacific | | 1149p | — | 1182p | 910p | 3,665 | 1.4 |
| 4pc Deb | | 47½ | — | 49½ | 38 | 22.2 | 9.7 |
| Denison | ♥ | 255p | — | 287p | 164p | – | 5.5 |
| Echo Bay | ♥ | 835p | –31 | 972p | 365p | 932.4 | 0.7 |

## BANKS

## BREWERS & DISTILLERS

## BUILDING MATERIALS

## BUSINESS SERVICES

## CHEMICALS

## CONGLOMERATES

## CONTRACTING & CONSTRUCTION

## ELECTRICALS

## ELECTRICALS - Cont.

## ELECTRICITY

## ELECTRONICS

## ENGINEERING-AEROSPACE

## ENGINEERING-GENERAL

## ENGINEERING-GENERAL - Cont.

## FOOD MANUFACTURING

## FOOD RETAILING

## HEALTH & HOUSEHOLD

## HOTELS & LEISURE

## HOTELS & LEISURE - Cont.

## INSURANCE BROKERS

## INSURANCE COMPOSITE

## INSURANCE LIFE

## INVESTMENT TRUSTS

## INVESTMENT TRUSTS - Cont.



to proceed.
In the Ukraine, unable and

Electricité de France, told the

## INVESTMENT TRUSTS - Cont.

| Notes | Price | + or - | 1993 high | low | Yld Gr's | NAV | Dis or Pm(-) |
|---|---|---|---|---|---|---|---|
| Scot Asian Pfg | 280 | — | 284 | 136 | – | 301.1 | 10.7 |
| Warrants | 735 | — | 785 | 225 | – | – | – |
| Scot East | 78½ | -½ | 83 | 69½ | 2.5 | 91.2 | 14.0 |
| Scottish Inv | 218½ | -1½ | 231 | 183 | 2.6 | 255.5 | 14.2 |
| Warrants | 78 | -1½ | 80 | 38 | – | – | – |
| Scot Mortgage | 219½ | -1½ | 225½ | 178 | 2.3 | 248.2 | 11.2 |
| Scot National Inc | 95½xd | — | 105 | 83 | 10.3 | – | – |
| Cap | 32 | — | 38 | 16 | – | 99.9 | 68.0 |
| Stepped Pf | 157¼ | — | 159½ | 150¾ | 4.8 | – | – |
| Zero Div Pf | 229½ | — | 231½ | 207 | – | – | – |
| Warrants | 4½ | — | 5 | 2½ | – | – | – |
| Scot Value | 99½ | — | 101 | 71 | 2.9 | 100.5 | 1.0 |
| Sec Alliance | 1574 | -6 | 1648 | 1300 | 3.1 | 1725.0 | 8.8 |
| Second Consld | 167 | — | 188 | 86 | – | 186.3 | 10.6 |
| Second HGSC | 105½ | — | 108 | 101 | – | – | – |
| Second Market | 405 | — | 407 | 256 | 0.6 | 427.8 | 5.4 |
| Sec Tst Scot | 90 | -½ | 93½ | 74½ | 4.5 | 90.7 | 0.8 |
| Select Assets | 157 | — | 163 | 109½ | 1.8 | 193.7 | 19.0 |
| Eq Ind Serl | 150 | — | 183 | 128 | 3.5 | – | – |
| Eq Ind Serl | 150 | — | 193 | 128 | 3.5 | – | – |
| SHRESCOT | 140xd | — | 145 | 104 | 4.7 | 137.5 | -1.5 |
| Shires | 280 | — | 288 | 231 | 7.3 | 276.3 | -4.0 |
| Siam Select | 200 | — | 207 | 97 | 0.6 | 249.9 | 20.1 |
| Smaller Cos | 135 | — | 136 | 78 | 2.5 | 129.0 | -3.1 |
| Warrants | 56 | — | 58 | 14 | – | – | – |
| Sphere Inc | 33½ | — | 38 | 14 | 11.6 | 46.2 | 27.5 |
| Zero Div Pf | 83 | — | 85 | 80¾ | – | – | – |
| Units | 905 | — | 925 | 785 | – | – | – |
| Sumit | 125 | — | 130 | 38 | 1.4 | 101.1 | -23.6 |
| TR City of Lon | 158½ | -1 | 164 | 126 | 4.0 | 143.5 | -4.8 |

## MERCHANT BANKS

## METALS & METAL FORMING

## MISCELLANEOUS

## INVESTMENT COMPANIES

## MEDIA

## MOTORS

## OIL & GAS - Cont.

## OTHER FINANCIAL

## OTHER INDUSTRIALS

## PACKAGING, PAPER & PRINTING

## OIL & GAS

## PACKAGING, PAPER & PRINTING - Cont.

## PROPERTY

## STORES - Cont.

## TELEPHONE NETWORKS

## TEXTILES

## TRANSPORT

## WATER

## SOUTH AFRICANS

## STORES

## PLANTATIONS

## MINES

## MINES - Cont.

| Notes | Price | + or - | 1993 high | low | Mkt Cap£m | Yld Gr's |
|---|---|---|---|---|---|---|
| Ennex Intl IE | 7 | — | 7¼ | 3¼ | 5.08 | – |
| Europa Mins | 33 | — | 42 | 15 | 15.9 | – |
| Glencar Expl IE | 11 | — | 12 | 6 | 2.83 | – |
| Greenwich Res | 15¼ | — | 22¼ | 5 | 12.5 | – |
| Hemlo Gold C$ | 27 | -½ | 28⅛ | £3½ | 677.4 | 1.4 |
| Ivernia West IE | 39 | +1 | 57 | 31 | 19.6 | – |
| Kells Mins IE | 14 | +1 | 14 | 6 | 0.34 | – |
| Konmare | 8½ | — | 13½ | 6 | 9.51 | – |
| Mallngs Res | 7½ | -1 | 25½ | 7 | 0.83 | – |
| Navan Res IE | 104 | — | 104 | 25 | 20.7 | – |
| 5pc Ln Notes | 99 | — | 99 | 25 | 17.8 | – |
| Oryx Gold | 45 | — | 76½ | 27 | – | – |
| ‡‡Ovoca Res IE | 10 | — | 10 | 3½ | 0.78 | – |
| RTZ | 893 | +9 | 748 | 607 | 7,373 | 5.0 |

## GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

□ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
● "Tap Stock"
• Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
Φ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ Free annual/interim report available, see details below.
♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
¥ Price at time of suspension
¶ Indicated dividend yield after pending scrip and/or rights issue.
♦ Merger bid or reorganisation in progress
§ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
‡ Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

## FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣ . Ring 081 643 7181 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT7030. [If calling from outside UK, dial +44 81 643 7181 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

## FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

# AUTHORISED UNIT TRUSTS

[illegible]

## Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

**INITIAL CHARGE:** Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

**OFFER PRICE:** Also called issue price. The price at which units are bought by investors.

**BID PRICE:** Also called redemption price. The price at which units are sold back by investors.

**CANCELLATION PRICE:** The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

**TIME:** The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: - 0001 to 1100 hours; - 1101 to 1400 hours; - 1401 to 1700 hours; - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

**HISTORIC PRICING:** The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

**FORWARD PRICING:** The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

**SCHEME PARTICULARS AND REPORTS:** The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk [illegible]

Sun Alliance Unit Tst Mngmt Ltd - Contd.

Sun Life of Canada Unit Mgrs Ltd (1000)H

Sun Life Trust Mngmt Ltd (1200)H

Swiss Life Unit Tst Man Co Ltd (1200)F

TSB Unit Trusts (1200)F

NatWest Investment Management Ltd

PDFM Unit Managers Ltd

Rothschild Asset Management

J. Rothschild Fund Managers Ltd.

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

## INSURANCES

## OTHER UK UNIT TRUSTS

[illegible]

# FT MANAGED FUNDS SERVICE

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## MANAGEMENT SERVICES

## OFFSHORE INSURANCES

## OFFSHORE AND OVERSEAS

## BERMUDA (SIB RECOGNISED)

## CANADA (SIB RECOGNISED)

## GUERNSEY (SIB RECOGNISED)

## GUERNSEY (REGULATED)(**)

## IRELAND (SIB RECOGNISED)

## IRELAND (REGULATED)(**)

## ISLE OF MAN (SIB RECOGNISED)

## ISLE OF MAN (REGULATED)(**)

## JERSEY (SIB RECOGNISED)

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

## JERSEY (REGULATED)(**)

## LUXEMBOURG (SIB RECOGNISED)

## LUXEMBOURG (REGULATED)(**)

## SWITZERLAND (SIB RECOGNISED)

## OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

# CURRENCIES AND MONEY

MARKETS REPORT

## Sterling extends gains

The currency markets had a quiet session as traders squared their books ahead of today's Thanksgiving holiday in the US and European operators sat back to wait for next Tuesday's UK Budget and Thursday's Bundesbank meeting, *writes Conner Middelmann.*

● Sterling extended Tuesday's gains against the D-Mark by another pfennig but ran out of steam just below key resistance at DM2.54 and edged lower on moderate volume, closing at DM2.5325, up from DM2.5275 on Tuesday. Against the dollar it ended at $1.4880, from $1.4855 on Tuesday.

The pound's rise follows Tuesday's ½-point cut in UK base rates. While many market participants are calling for another ½-point cut in coming months, the currency is widely expected to remain underpinned as the UK economy continues its gradual recovery and continental European central banks ease their interest rates more sharply than the UK.

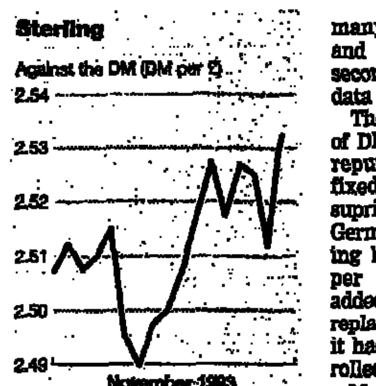
"Many feel we're close to the trough for UK interest rates and the market is confident on lower European rates," said Mr Adrian Cunningham, senior currency economist at UBS. "The resulting interest-rate differential will favour the pound."

In the sterling money market, the Bank of England announced an early shortage of some £750m which was later revised downward to £650m. The Bank did not operate in the money market throughout the day but provided late assistance of £255m in the afternoon.

Meanwhile, the Bank of England set a weekly rollover rate for its special money market facility at 5⅜ per cent. Last week the weekly rollover rate was established at 5⅞ per cent.

● The Italian lira recovered against the D-Mark after hitting a record low of L1,005 on Tuesday. It slid sharply following Sunday's elections which prompted worries over the country's political outlook and its government's ability to pass the 1994 budget.

The lira rose to an intra-day high of L986.25 against the D-Mark and closed at L988.5, up from L994.5 on Tuesday.



Source: Datastream

■ Pound in New York

| Nov 24 | Latest | Prev. close |
|---|---|---|
| £ spot | 1.4875 | 1.4855 |
| 1 mth | 1.4845 | 1.4823 |
| 3 mth | 1.4791 | 1.4769 |
| 1 yr | 1.4657 | 1.4636 |

"The market has taken a more sanguine view that the 1994 budget will be passed," said a London currency dealer, who reported heavy institutional lira-buying against D-Marks. "Towards the L1,000 level there is significant support from medium-term investors who feel that, once the political concerns have passed after the elections, the lira will appreciate on the back of fundamental factors," he said.

● The French franc also firmed slightly against the D-Mark, boosted largely by technical buying after the D-Mark breached psychologically important support at FFr3.4700. It closed at FFr3.468, up from FFr3.471 on Tuesday.

However, the Bank of France is not expected to take advantage of its currency's strength to make rate cuts independently of the Bundesbank. Instead, it should continue using franc strength to rebuild its currency reserves.

● The first set of Germany's long-awaited November inflation numbers had little market impact. The consumer price index in the western German state of Hesse rose 0.3 per cent from October but the year-on-year rate slowed to 3.8 per cent. Economists are forecasting a year-on-year rate of around 3.7 per cent.

Two more preliminary inflation reports are due to be released today by the states of North Rhine-Westphalia, Germany's most populous state, and Baden-Wuerttemberg, the second-largest state. Bavaria's data are expected on Friday.

The Bundesbank's allocation of DM82bn of 14-day securities repurchase agreements at a fixed 6.25 per cent bore few surprises and left the rate for German overnight money trading little changed around 6.45 per cent. The central bank added DM12.2bn in liquidity to replace the Paragraph 17 funds it had injected on Monday and rolled over on Tuesday.

Market operators are now looking to next week's round of repos and Thursday's central bank council meeting - the second to last before the end of the year. Despite Monday's higher-than-expected M3 money supply numbers many market participants are still speculating on another 50-basis-point cut in Germany's official discount and Lombard rates at one of the two meetings on December 2 and 16.

● The Canadian dollar came under pressure over fresh concerns regarding the country's federal deficit after a finance ministry official confirmed newspaper reports stating that the 1993/94 federal budget deficit will top C$40bn and could rise as high as C$45bn. Canada's Finance Minister Paul Martin is to provide new projections of the 1993/94 deficit in Montreal next Monday.

The Bank of Canada was rumoured to have intervened to support the Canadian dollar against the US dollar as it weakened past C$1.3300. It closed at C$1.3300, down from C$1.3340 on Tuesday.

The currency showed little reaction to the news that the rating agency Standard & Poor's Corp lowered its credit rating for the province of Ontario to double A minus to double A, a move that had been widely discounted.

● The US dollar traded erratically in thin volume, rising briefly after the release of strong US durable goods numbers but falling back on position-squaring ahead of the holiday, which many are expected to turn into a four-day weekend. The dollar closed at DM1.7025, up from DM1.7010 on Tuesday, and at Y108.15, down from Y108.50 on Tuesday.

## POUND SPOT FORWARD AGAINST THE POUND

| Nov 24 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | Bank of Eng. Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 17.8?? | -0.01 | 790 - 830 | 17.91 | 17.79 | 17.81 | -0.3 | 17.8282 | -0.5 | - | - | 114.6 |
| Belgium | (BFr) | 53.65 | -0.05 | 600 - 700 | 53.89 | 53.55 | 53.78 | -2.8 | 53.98 | -2.5 | 54.31 | -1.2 | 112.3 |
| Denmark | (DKr) | 10.0526 | +0.01 | 047 - 057 | 10.0880 | 10.0475 | 10.0605 | -3.3 | 10.124 | -2.8 | 10.209 | -1.6 | 114.6 |
| Finland | (FM) | 8.6476 | +0.0087 | 632 - 683 | 8.6600 | 8.5900 | - | - | - | - | - | - | 79.8 |
| France | (FFr) | 8.78 | +0.005 | 775 - 785 | 8.8175 | 8.7700 | 8.7905 | -1.4 | 8.8095 | -1.3 | 8.8845 | -0.6 | 107.0 |
| Germany | (DM) | 2.5325 | +0.005 | 530 - 535 | 2.5460 | 2.5275 | 2.5344 | -0.9 | 2.538 | -0.9 | 2.5368 | -0.2 | 124.4 |
| Greece | (Dr) | 362.6 | +1.45 | 400 - 800 | 364.400 | 362.000 | - | - | - | - | - | - | - |
| Ireland | (I£) | 1.0626 | -0.0016 | 622 - 630 | 1.0630 | 1.0615 | 1.0631 | -0.7 | 1.0643 | -0.7 | 1.0674 | -0.5 | 102.2 |
| Italy | (L) | 2502.75 | -10.75 | 250 - 250 | 2524.00 | 2496.50 | 2510.5 | -3.8 | 2528.25 | -3.8 | 2582.7 | -3.2 | 76.9 |
| Luxembourg | (LFr) | 53.65 | -0.05 | 600 - 700 | 53.86 | 53.55 | 53.78 | -2.8 | 53.98 | -2.5 | 54.31 | -1.2 | 112.3 |
| Netherlands | (Fl) | 2.8425 | +0.01 | 836 - 846 | 2.8500 | 2.8360 | 2.8438 | -0.5 | 2.8461 | -0.5 | 2.8485 | 0.0 | 116.4 |
| Norway | (NKr) | 11.0075 | +0.0075 | 002 - 012 | 11.0400 | 11.0000 | 10.9978 | 1.1 | 10.9957 | 0.4 | 11.0082 | 0.0 | 95.1 |
| Portugal | (Es) | 258.5 | +0.75 | 000 - 000 | 260.50 | 257.75 | 259.57 | -6.3 | 262.08 | -6.5 | - | - | 95.4 |
| Spain | (Pta) | 206 | +1.65 | 850 - 150 | 206.40 | 205.40 | 206.74 | -4.3 | 208.095 | -4.1 | 212.64 | -3.2 | 86.4 |
| Sweden | (SKr) | 12.4575 | +0.025 | 453 - 462 | 12.5100 | 12.4325 | 12.4825 | -2.4 | 12.519 | -2.0 | 12.6276 | -1.4 | 73.0 |
| Switzerland | (SFr) | 2.22 | +0.0075 | 215 - 225 | 2.2260 | 2.2150 | 2.2184 | 0.9 | 2.2154 | 0.8 | 2.1928 | 1.3 | 114.3 |
| UK | (£) | 1 | - | 000 - 000 | - | - | - | - | - | - | - | - | 81.6 |
| Ecu | - | 1.3195 | +0.0005 | 319 - 320 | 1.3230 | 1.3190 | 1.3212 | -1.5 | 1.3242 | -1.4 | 1.3291 | -0.7 | - |
| SDR† | - | 0.9373 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 1.4860 | +0.0112 | 465 - 487 | 1.4915 | 1.4835 | - | - | - | - | - | - | - |
| Brazil | (Cr) | 235.32 | +7.735 | 310 - 330 | 237.000 | 230.000 | - | - | - | - | - | - | - |
| Canada | (C$) | 1.979 | +0.0115 | 979 - 980 | 1.9900 | 1.9695 | 1.9785 | 1.5 | 1.9727 | 1.3 | 1.9676 | 0.6 | 90.9 |
| Mexico | (New Peso) | 4.6195 | +0.036 | 818 - 623 | 4.6295 | 4.6090 | - | - | - | - | - | - | - |
| USA | ($) | 1.488 | +0.0035 | 487 - 488 | 1.4945 | 1.4855 | 1.486 | 2.4 | 1.4807 | 2.0 | 1.4686 | 1.4 | 65.5 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 2.24 | +0.0105 | 239 - 241 | 2.2500 | 2.2295 | 2.2386 | 0.8 | 2.2382 | 0.7 | 2.2331 | 0.5 | - |
| Hong Kong | (HK$) | 11.5090 | +0.0262 | 503 - 507 | 11.5445 | 11.4770 | 11.4855 | 2.1 | 11.4327 | 1.9 | 11.3565 | 1.3 | - |
| India | (Rs) | 46.675 | +0.376 | 650 - 700 | 46.85 | 46.50 | - | - | - | - | - | - | - |
| Japan | (Y) | 161 | -0.25 | 500 - 600 | 161.75 | 160.50 | 160.585 | 3.1 | 159.74 | 3.1 | 158.05 | 3.1 | 181.3 |
| Malaysia | (M$) | 3.8 | +0.0277 | 795 - 800 | 3.8125 | 3.7825 | - | - | - | - | - | - | - |
| New Zealand | (NZ$) | 2.7145 | +0.017 | 712 - 717 | 2.7200 | 2.7065 | 2.7154 | -0.4 | 2.7162 | -0.3 | 2.7226 | -0.3 | - |
| Philippines | (Peso) | 41.45 | -0.175 | 400 - 500 | 41.75 | 41.40 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 5.5865 | +0.0143 | 665 - 888 | 5.6045 | 5.5730 | - | - | - | - | - | - | - |
| Singapore | (S$) | 2.378 | +0.0182 | 377 - 379 | 2.3870 | 2.3745 | - | - | - | - | - | - | - |
| S Africa (Com.) | (R) | 5.0055 | +0.0287 | 004 - 007 | 5.0200 | 4.9960 | - | - | - | - | - | - | - |
| S Africa (Fin.) | (R) | 6.4895 | -0.0115 | 462 - 477 | 6.5285 | 6.4575 | - | - | - | - | - | - | - |
| South Korea | (Won) | 1203.15 | +10.175 | 050 - 250 | 1207.10 | 1199.20 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 40.0175 | +0.35 | 000 - 150 | 40.15 | 39.85 | - | - | - | - | - | - | - |
| Thailand | (Bt) | 37.5 | +0.225 | 750 - 850 | 37.95 | 37.70 | - | - | - | - | - | - | - |

†SDR rate for Nov 23. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| Nov 24 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | Morgan G'ty chge % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 11.97 | -0.0375 | 967 - 972 | 11.9700 | 11.9525 | 11.9987 | -2.9 | 12.0457 | -2.6 | 12.1655 | -1.6 | [illegible] |
| Belgium | (BFr) | 36.06 | -0.15 | 000 - 100 | 36.15 | 35.96 | 36.21 | -6.3 | 36.44 | -4.5 | 37.035 | -2.7 | -1.14 |
| Denmark | (DKr) | 6.755 | -0.005 | 750 - 755 | 6.8175 | 6.7400 | 6.7875 | -5.6 | 6.837 | -4.9 | 6.98 | -3.0 | +8.40 |
| Finland | (FM) | 5.8063 | -0.0163 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| France | (FFr) | 5.9 | -0.0075 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Germany | (DM) | 1.7025 | +0.0015 | [illegible] | 1.7065 | 1.6970 | 1.7072 | -3.3 | 1.7147 | -2.9 | [illegible] | [illegible] | [illegible] |
| Greece | (Dr) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Ireland | (I£) | 1.4145 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Italy | (L) | 1682 | -10 | 750 - 250 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Netherlands | (Fl) | 1.91 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Norway | (NKr) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Portugal | (Es) | 173.7 | +0.15 | 650 - 750 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Spain | (Pta) | 138.35 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sweden | (SKr) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Switzerland | (SFr) | 1.4925 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| UK | (£) | 1.488 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Ecu | - | 1.128 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| SDR | - | 1.389 | +0.004 | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | [illegible] | - | [illegible] | [illegible] | [illegible] | - | - | - | - | - | - | - |
| Brazil | (Cr) | 225.81 | [illegible] | [illegible] | [illegible] | [illegible] | - | - | - | - | - | - | - |
| Canada | (C$) | 1.33 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Mexico | (New Peso) | 3.1015 | +0.0017 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| USA | ($) | 1 | - | 000 - 000 | - | - | - | - | - | - | - | - | -10.90 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.504 | -0.004 | 903 - 905 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Hong Kong | (HK$) | 7.725 | - | 725 - 725 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| India | (Rs) | 31.365 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Japan | (Y) | 108.15 | -0.35 | 100 - 200 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | +121.33 |
| Malaysia | (M$) | 2.551 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| New Zealand | (NZ$) | 1.8225 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Philippines | (Peso) | 27.9 | -0.25 | 850 - 950 | 28.25 | 27.75 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 3.7505 | -0.0005 | 750 - 751 | 3.7515 | 3.7500 | 3.78 | -3.0 | 3.7755 | -2.7 | 3.7915 | -1.1 | - |
| Singapore | (S$) | 1.5965 | -0.0035 | 596 - 597 | 1.6990 | 1.5960 | 1.5945 | 1.5 | 1.5935 | 0.8 | 1.5915 | 0.3 | - |
| S Africa (Com.) | (R) | 3.3705 | +0.01 | 369 - 372 | 3.3725 | 3.3655 | 3.3885 | -6.4 | 3.418 | -5.6 | 3.5365 | -4.9 | - |
| S Africa (Fin.) | (R) | 4.3435 | -0.0415 | 339 - 348 | 4.3775 | 4.3350 | 4.3755 | -8.8 | 4.4375 | -8.7 | - | - | - |
| South Korea | (Won) | 807.75 | +0.8 | 700 - 800 | 808.00 | 807.40 | 810.75 | -4.5 | 814.25 | -3.2 | 832.75 | -3.1 | - |
| Taiwan | (T$) | 26.9 | - | 850 - 950 | 26.95 | 26.80 | 26.965 | -2.9 | 27.105 | -3.0 | - | - | - |
| Thailand | (Bt) | 25.4 | - | 350 - 450 | 25.45 | 25.30 | 25.408 | -0.4 | 25.4415 | -0.7 | 25.71 | -1.2 | - |

Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Morgan Guaranty Changes shown for July 1. Base average 1980/82=100

## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

| Nov 24 | | BFr | DKr | FFr | DM | I£ | L | Fl | NKr | Es | Pta | SKr | SFr | £ | C$ | $ | Y | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | (BFr) | 100 | 18.73 | 16.37 | 4.719 | 1.961 | 4685 | 5.297 | 20.52 | 481.8 | 384.0 | 23.22 | 4.138 | 1.864 | 3.666 | 2.774 | 300.1 | 2.459 |
| Denmark | (DKr) | 53.38 | 10 | 8.736 | 2.519 | 1.047 | 2461 | 2.828 | 10.95 | 257.2 | 205.0 | 12.40 | 2.209 | 0.995 | 1.959 | 1.481 | 160.2 | 1.312 |
| France | (FFr) | 61.10 | 11.45 | 10 | 2.884 | 1.198 | 2851 | 3.237 | 12.54 | 294.4 | 234.5 | 14.19 | 2.528 | 1.139 | 2.254 | 1.695 | 183.4 | 1.502 |
| Germany | (DM) | 21.19 | 3.969 | 3.468 | 1 | 0.415 | 988.5 | 1.122 | 4.348 | 102.1 | 81.36 | 4.921 | 0.877 | 0.395 | 0.782 | 0.588 | 63.59 | 0.521 |
| Ireland | (I£) | 51.00 | 9.553 | 8.348 | 2.407 | 1 | 2379 | 2.702 | 10.47 | 245.7 | 195.8 | 11.84 | 2.110 | 0.951 | 1.881 | 1.414 | 153.0 | 1.254 |
| Italy | (L) | 2.143 | 0.402 | 0.351 | 0.101 | 0.042 | 100. | 0.114 | 0.440 | 10.33 | 8.230 | 0.498 | 0.089 | 0.040 | 0.079 | 0.059 | 6.432 | 0.053 |
| Netherlands | (Fl) | 18.88 | 3.536 | 3.089 | 0.891 | 0.370 | 880.7 | 1 | 3.874 | 90.96 | 72.48 | 4.384 | 0.781 | 0.352 | 0.696 | 0.524 | 56.65 | 0.464 |
| Norway | (NKr) | 48.73 | 9.128 | 7.976 | 2.300 | 0.955 | 2273 | 2.581 | 10 | 234.8 | 187.1 | 11.32 | 2.016 | 0.908 | 1.797 | 1.351 | 146.2 | 1.196 |
| Portugal | (Es) | 20.75 | 3.888 | 3.397 | 0.979 | 0.407 | 968.3 | 1.099 | 4.259 | 100. | 79.69 | 4.820 | 0.859 | 0.387 | 0.766 | 0.576 | 62.26 | 0.510 |
| Spain | (Pta) | 26.04 | 4.879 | 4.262 | 1.229 | 0.511 | 1215 | 1.380 | 5.345 | 125.5 | 100. | 6.049 | 1.078 | 0.485 | 0.961 | 0.722 | 78.16 | 0.640 |
| Sweden | (SKr) | 43.06 | 8.066 | 7.047 | 2.032 | 0.844 | 2009 | 2.281 | 8.836 | 207.5 | 165.3 | 10 | 1.782 | 0.803 | 1.588 | 1.194 | 129.2 | 1.059 |
| Switzerland | (SFr) | 24.17 | 4.527 | 3.955 | 1.141 | 0.474 | 1127 | 1.280 | 4.959 | 116.4 | 92.79 | 5.613 | 1 | 0.450 | 0.891 | 0.670 | 72.52 | 0.594 |
| UK | (£) | 53.65 | 10.05 | 8.780 | 2.532 | 1.052 | 2503 | 2.842 | 11.01 | 258.5 | 206.0 | 12.46 | 2.220 | 1 | 1.979 | 1.488 | 161.0 | 1.319 |
| Canada | (C$) | 27.11 | 5.078 | 4.437 | 1.279 | 0.532 | 1265 | 1.436 | 5.563 | 130.6 | 104.1 | 6.296 | 1.122 | 0.505 | 1 | 0.752 | 81.35 | 0.666 |
| US | ($) | 36.06 | 6.754 | 5.901 | 1.702 | 0.707 | 1682 | 1.910 | 7.399 | 173.7 | 138.4 | 8.374 | 1.492 | 0.672 | 1.330 | 1 | 108.2 | 0.886 |
| Japan | (Y) | 333.2 | 62.42 | 54.53 | 15.73 | 6.534 | 15547 | 17.65 | 68.39 | 1606 | 1280 | 77.39 | 13.79 | 6.211 | 12.29 | 9.242 | 1000. | 8.193 |
| Ecu | | 40.67 | 7.619 | 6.657 | 1.920 | 0.798 | 1898 | 2.155 | 8.347 | 196.0 | 156.2 | 9.447 | 1.683 | 0.758 | 1.500 | 1.128 | 122.1 | 1 |

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 0.5863 | 0.5878 | +0.0013 | 0.5879 | 0.5860 | 49,720 | 132,052 |
| Mar | 0.5822 | 0.5839 | +0.0011 | 0.5840 | 0.5822 | 1,565 | 7,799 |
| Jun | - | - | - | - | - | - | - |
| Sep | - | - | - | - | - | - | - |

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 0.6694 | 0.6710 | +0.0014 | 0.6710 | 0.6688 | 23,886 | 80,439 |
| Mar | 0.6680 | 0.6694 | +0.0006 | 0.6694 | 0.6675 | 351 | 1,950 |
| Jun | - | 0.6680 | - | 0.6680 | 0.6675 | - | - |
| Sep | - | 0.6677 | +0.0012 | - | - | - | - |

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 0.9203 | 0.9258 | +0.0055 | 0.9273 | 0.9200 | 34,960 | 72,469 |
| Mar | 0.9270 | 0.9263 | +0.0049 | 0.9283 | 0.9260 | 2,745 | 9,623 |
| Jun | - | 0.9267 | -0.0018 | - | - | 20 | 257 |
| Sep | - | 0.9308 | -0.0019 | - | - | 2 | 39 |

■ STERLING FUTURES (IMM) £62,500 per £

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 1.4828 | 1.4920 | +0.0062 | 1.4924 | 1.4828 | 18,751 | 32,994 |
| Mar | 1.4770 | 1.4860 | +0.0092 | 1.4860 | 1.4770 | 1,380 | 3,220 |
| Jun | - | 1.4780 | - | 1.4780 | - | 313 | 127 |

### EMS EUROPEAN CURRENCY UNIT RATES

| Nov 24 | Ecu cen. rates | Rate against Ecu | Change on day | % +/- from cen. rate | % spread v weakest | Div. ind. |
|---|---|---|---|---|---|---|
| Netherlands | 2.19672 | 2.15642 | +0.00385 | -1.83 | 4.48 | 14 |
| Germany | 1.94964 | 1.92160 | +0.00321 | -1.44 | 4.06 | 14 |
| Ireland | 0.808628 | 0.799111 | -0.001214 | -1.18 | 3.78 | 8 |
| Spain | 154.250 | 155.875 | +0.573 | 1.05 | 1.49 | -7 |
| Belgium | 40.2123 | 40.6806 | -0.0091 | 1.17 | 1.38 | -8 |
| Portugal | 192.854 | 195.891 | +0.466 | 1.83 | 0.92 | -11 |
| France | 6.53883 | 6.66146 | +0.00329 | 1.88 | 0.87 | -16 |
| Denmark | 7.43679 | 7.62709 | +0.00746 | 2.56 | 0.00 | -18 |
| NON ERM MEMBERS | | | | | | |
| Greece | 264.513 | 276.132 | +0.841 | 4.39 | -1.76 | - |
| Italy | 1793.19 | 1897.58 | -16.8 | 5.82 | -3.08 | - |
| UK | 0.786749 | 0.759252 | -0.002038 | -3.62 | 6.41 | - |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS $31,250 (cents per pound)

| Strike Price | CALLS Dec | Jan | Feb | PUTS Dec | Jan | Feb |
|---|---|---|---|---|---|---|
| 1.425 | 6.40 | 6.53 | 6.98 | 0.08 | 0.38 | 0.90 |
| 1.450 | 4.00 | 4.59 | 5.16 | 0.12 | 0.85 | 1.56 |
| 1.475 | 1.99 | 2.93 | 3.63 | 0.53 | 1.68 | 2.51 |
| 1.500 | 0.65 | 1.75 | 2.47 | 1.89 | 2.89 | 3.74 |
| 1.525 | 0.08 | 0.94 | 1.59 | 3.56 | 4.57 | 5.33 |
| 1.550 | 0.01 | 0.45 | 0.96 | 5.91 | 6.54 | 7.19 |

Previous day's vol., Calls 80,902 Puts 10,151. Prev. day's open int., Calls 721,120 Puts 596,917

## WORLD INTEREST RATES

### MONEY RATES

| November 24 | Over night | One month | Three mths | Six mths | One year | Lomb. inter. | Dis. rate | Repo rate |
|---|---|---|---|---|---|---|---|---|
| Belgium | 8¼ | 8⅛ | 7¾ | 7⅝ | 6¾ | 8.30 | 5.50 | - |
| week ago | 9¾ | 8⅛ | 7¾ | 7 | 6¾ | 8.30 | 5.50 | - |
| France | 6¾ | 6¾ | 6¾ | 6¼ | 5¾ | 6.45 | - | 7.75 |
| week ago | 6¾ | 6¾ | 6¾ | 6¼ | 5¾ | 6.45 | - | 7.75 |
| Germany | 6.42 | 6.30 | 6.10 | 5.78 | 5.40 | 6.75 | 5.75 | 6.25 |
| week ago | 6.28 | 6.30 | 6.18 | 5.83 | 5.43 | 6.75 | 5.75 | 6.29 |
| Ireland | 6¼ | 6¾ | 6¾ | 6 | 5¾ | - | - | 6.75 |
| week ago | 6¾ | 6¾ | 6⅛ | 6¼ | 5¾ | - | - | 6.75 |
| Italy | 9¾ | 9¼ | 9¼ | 9 | 8¾ | - | 8.00 | 9.11 |
| week ago | 8¾ | 9¼ | 8¾ | 8¾ | 8¾ | - | 8.50 | 9.00 |
| Netherlands | 6.09 | 5.95 | 5.81 | 5.53 | 5.29 | - | 5.25 | - |
| week ago | 6.09 | 5.95 | 5.88 | 5.62 | 5.35 | - | 5.25 | - |
| Switzerland | - | 4⅝ | 4½ | 4¼ | 4¼ | 6.625 | 4.25 | - |
| week ago | 4⅞ | 4⅝ | 4½ | 4⅜ | 4¼ | 6.625 | 4.25 | - |
| US | 3 | 3¼ | 3¼ | 3¼ | 3¾ | - | 3.00 | - |
| week ago | 3¼ | 3¼ | 3⅜ | 3⅜ | 3¾ | - | 3.00 | - |
| Japan | 2¾ | 2¼ | 2¼ | 2¼ | 2¼ | - | 1.75 | - |
| week ago | 2½ | 2¼ | 2¼ | 2¼ | 2¼ | - | 1.75 | - |
| ■ $ LIBOR FT London | | | | | | | | |
| Interbank Fixing | - | 3¼ | 3½ | 3½ | 3¾ | - | - | - |
| week ago | - | 3¼ | 3¼ | 3½ | 3¾ | - | - | - |
| US Dollar CDs | - | 2.99 | 3.12 | 3.23 | 3.53 | - | - | - |
| week ago | - | 2.99 | 3.08 | 3.17 | 3.44 | - | - | - |
| SDR Linked Ds | - | 4¼ | 4 | 4½ | 3¾ | - | - | - |
| week ago | - | 4¼ | 4¼ | 4 | 3¾ | - | - | - |

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

### EURO CURRENCY INTEREST RATES

| Nov 24 | Short term | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Belgian Franc | 8½ - 8⅓ | 8¹⁄₁₆ - 8¹⁄₁₆ | 8⅛ - 8 | 7⅞ - 7½ | 7⅛ - 7 | 6¹³⁄₁₆ - 6⅝ |
| Danish Krone | 8 - 7 | 9 - 8¼ | 8½ - 8 | 8¼ - 7⅞ | 7⅝ - 7¼ | 7 - 6⅞ |
| D-Mark | 6½ - 6¼ | 6⅜ - 6⅜ | 6¼ - 6⅛ | 6⅛ - 6 | 5¹³⁄₁₆ - 5¹¹⁄₁₆ | 5⅜ - 5¼ |
| Dutch Guilder | 6⅛ - 6 | 6⅛ - 5¹³⁄₁₆ | 6 - 5⅞ | 5¹³⁄₁₆ - 5¹¹⁄₁₆ | 5⅝ - 5⅞ | 5⅜ - 5⅜ |
| French Franc | 6¹³⁄₁₆ - 6¹¹⁄₁₆ | 6⅞ - 6¼ | 6¹³⁄₁₆ - 6¹¹⁄₁₆ | 6¹¹⁄₁₆ - 6⅝ | 6⅜ - 6¼ | 5¹³⁄₁₆ - 5¹¹⁄₁₆ |
| Portuguese Esc. | 11⅝ - 11¼ | 11¾ - 11¼ | 12 - 11⅝ | 11¾ - 11¼ | 11¼ - 10⅞ | 10¾ - 10¼ |
| Spanish Peseta | 9⅝ - 9¼ | 9⅝ - 9⅛ | 9½ - 9¼ | 9¼ - 9 | 8¹³⁄₁₆ - 8⅝ | 8⅝ - 8⅞ |
| Sterling | 5⅞ - 5⅛ | 5¼ - 5⅛ | 5⁷⁄₁₆ - 5⅜ | 5⁷⁄₁₆ - 5⅜ | 5⅜ - 5¼ | 5⅜ - 5¼ |
| Swiss Franc | 4¾ - 4⅝ | 4⅞ - 4⅝ | 4⅝ - 4½ | 4½ - 4⅜ | 4¼ - 4⅛ | 4⅛ - 3¹⁵⁄₁₆ |
| Can. Dollar | 3⅞ - 3¹¹⁄₁₆ | 3⅞ - 3¹¹⁄₁₆ | 3¹³⁄₁₆ - 3¹¹⁄₁₆ | 4⅛ - 4¹⁄₁₆ | 4¼ - 4⅛ | 4¹³⁄₁₆ - 4¹¹⁄₁₆ |
| US Dollar | 3⅛ - 2¹³⁄₁₆ | 3⅛ - 3 | 3⅜ - 3¼ | 3½ - 3⅜ | 3½ - 3⅜ | 3¾ - 3⅝ |
| Italian Lira | 10 - 8 | 9¼ - 8¾ | 8¾ - 8⅜ | 9¼ - 8¾ | 8⅞ - 8½ | 8⅞ - 8½ |
| Yen | 2½ - 2¼ | 2⁵⁄₁₆ - 2³⁄₁₆ | 2½ - 2¼ | 2⅜ - 2¼ | 2¼ - 2⅛ | 2⅛ - 2¹⁄₁₆ |
| Asian $Sing | 3½ - 2½ | 3½ - 2½ | 3½ - 2½ | 4 - 3 | 4 - 3 | 4⅛ - 3¼ |

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 93.53 | 93.52 | +0.03 | 93.55 | 93.51 | 1,977 | 80,720 |
| Mar | 94.26 | 94.27 | +0.05 | 94.29 | 94.25 | 1,312 | 82,780 |
| Jun | 94.84 | 94.87 | +0.05 | 94.89 | 94.84 | 526 | 48,590 |
| Sep | 95.15 | 95.16 | +0.04 | 95.17 | 95.14 | 578 | 33,507 |

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 96.49 | 96.49 | 0.02 | 96.49 | 96.49 | 190 | 6603 |
| Mar | 96.40 | 96.41 | 0.04 | 96.40 | 96.39 | 101 | 4610 |
| Jun | 96.10 | 96.14 | 0.06 | 96.11 | 96.10 | 54 | 1880 |
| Sep | 95.80 | 95.84 | 0.06 | 95.81 | 95.80 | 15 | 504 |

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 93.88 | 93.90 | 0.03 | 93.90 | 93.86 | 20106 | 189320 |
| Mar | 94.56 | 94.58 | 0.03 | 94.58 | 94.54 | 23001 | 158427 |
| Jun | 95.09 | 95.12 | 0.05 | 95.12 | 95.08 | 10436 | 119798 |
| Sep | 95.35 | 95.40 | 0.06 | 95.40 | 95.35 | 7089 | 96434 |

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 90.80 | 90.87 | 0.16 | 90.90 | 90.80 | 8408 | 38926 |
| Mar | 91.50 | 91.54 | 0.11 | 91.57 | 91.48 | 6268 | 39122 |
| Jun | 91.93 | 91.99 | 0.14 | 92.01 | 91.93 | 1784 | 21850 |
| Sep | 92.20 | 92.28 | 0.19 | 92.28 | 92.20 | 1919 | 14476 |

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 95.62 | 95.67 | 0.06 | 95.67 | 95.60 | 4645 | 25721 |
| Mar | 96.11 | 96.16 | 0.06 | 96.16 | 96.11 | 4315 | 21393 |
| Jun | 96.38 | 96.41 | 0.04 | 96.42 | 96.38 | 403 | 7033 |
| Sep | - | 96.53 | 0.05 | - | - | 0 | 3273 |

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 93.33 | 93.35 | 0.02 | 93.37 | 93.33 | 1846 | 15406 |
| Mar | 94.02 | 94.05 | 0.05 | 94.06 | 94.01 | 986 | 10166 |
| Jun | 94.50 | 94.57 | 0.08 | 94.57 | 94.50 | 139 | 7067 |
| Sep | 94.83 | 94.87 | 0.08 | 94.87 | 94.81 | 137 | 3146 |

* LIFFE futures traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 96.49 | 96.49 | - | 96.50 | 96.48 | 23,465 | 301,507 |
| Mar | 96.41 | 96.40 | - | 96.41 | 96.38 | 56,374 | 381,100 |
| Jun | 96.12 | 96.13 | +0.01 | 96.13 | 96.09 | 59,248 | 291,621 |
| Sep | 95.83 | 95.83 | +0.01 | 95.84 | 95.79 | 48,724 | 211,186 |

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 96.86 | 96.85 | - | 96.86 | 96.85 | 1,754 | 10,300 |
| Mar | 96.68 | 96.68 | +0.01 | 96.68 | 96.67 | 2,052 | 20,729 |
| Jun | - | - | - | - | - | 227 | 3,230 |
| Sep | - | 96.17 | - | 96.17 | - | - | - |

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

| Strike Price | CALLS Dec | Mar | Jun | PUTS Dec | Mar | Jun |
|---|---|---|---|---|---|---|
| 9375 | 0.17 | 0.85 | 1.38 | 0.02 | 0.02 | 0.01 |
| 9400 | 0.04 | 0.61 | 1.14 | 0.14 | 0.03 | 0.02 |
| 9425 | 0.01 | 0.39 | 0.91 | 0.36 | 0.06 | 0.04 |

Est. vol. total, Calls 4274 Puts 780. Previous day's open int., Calls 243878 Puts 116939

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

| Strike Price | CALLS Dec | Mar | Jun | PUTS Dec | Mar | Jun |
|---|---|---|---|---|---|---|
| 9550 | 0.18 | 0.67 | 0.93 | 0.01 | 0.01 | 0.02 |
| 9575 | 0.03 | 0.43 | 0.69 | 0.11 | 0.02 | 0.03 |
| 9600 | 0.01 | 0.21 | 0.47 | 0.34 | 0.06 | 0.06 |

Est. vol. total, Calls 140 Puts 0. Previous day's open int., Calls 2876 Puts 2850

## UK INTEREST RATES

### LONDON MONEY RATES

| Nov 24 | Over-night | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Interbank Sterling | 7 - 4¼ | 5⅜ - 5¼ | 5⁷⁄₁₆ - 5⁵⁄₁₆ | 5⅜ - 5¼ | 5⁵⁄₁₆ - 5⅜ | 5⁵⁄₁₆ - 5⅜ |
| Sterling CDs | - | - | 5¹¹⁄₃₂ - 5⁵⁄₁₆ | 5⅜ - 5¼ | 5⁵⁄₃₂ - 5⅞ | 5¼ - 5⅞ |
| Treasury Bills | - | - | 5¼ - 5⅜ | 5 - 4⅞ | - | - |
| Bank Bills | - | - | 5⁵⁄₁₆ - 5⅜ | 5⁵⁄₁₆ - 5½ | 5⁵⁄₁₆ - 5½ | - |
| Local authority deps. | 5⅜ - 5⅜ | 5⁷⁄₁₆ - 5⅜ | 5⅜ - 5¼ | 5⅜ - 5¼ | 5⁵⁄₁₆ - 5⅜ | 5⁵⁄₁₆ - 5⅜ |
| Discount market deps. | 5¼ - 5 | 5⁷⁄₁₆ - 5⅜ | - | - | - | - |

UK clearing bank base lending rate 5½ per cent from November 23, 1993

| | Up to 1 month | 1-3 month | 3-6 months | 6-9 months | 9-12 months |
|---|---|---|---|---|---|
| Certs of Tax dep. (£100,000) | 1¾ | 4¼ | 4 | 3¾ | 3¾ |

Certs of Tax dep. under £100,000 is 2¼pc. Deposits withdrawn for cash 1pc.
Ave. tender rate of discount 4.9838pc. ECGD fixed rate Stg. Export Finance. Make up day October 29, 1993. Agreed rate for period Nov 24, 1993 to Dec 25, 1993, Schemes II & III 7.08pc. Reference rate for period Oct 1, 1993 to Oct 29, 1993, Schemes IV & V 5.820pc. Finance House Base Rate 6pc from Nov 1, 1993

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 94.61 | 94.61 | - | 94.63 | 94.58 | 27502 | 111001 |
| Mar | 94.80 | 94.80 | - | 94.83 | 94.76 | 21109 | 97428 |
| Jun | 94.83 | 94.84 | 0.02 | 94.86 | 94.81 | 6871 | 76000 |
| Sep | 94.76 | 94.78 | 0.02 | 94.81 | 94.75 | 3485 | 37910 |

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

| Strike Price | CALLS Dec | Mar | Jun | PUTS Dec | Mar | Jun |
|---|---|---|---|---|---|---|
| 9450 | 0.13 | 0.38 | 0.46 | 0.02 | 0.08 | 0.12 |
| 9475 | 0.03 | 0.19 | 0.28 | 0.17 | 0.14 | 0.20 |
| 9500 | 0 | 0.09 | 0.17 | 0.39 | 0.29 | 0.33 |

Est. vol. total, Calls 16056 Puts 7774. Previous day's open int., Calls 184594 Puts 152212

## BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 6 | Duncan Lawrie | 5.5 | ●Rea Brothers | 5.5 |
| Allied Trust Bank | 5.5 | Exeter Bank Limited | 7 | * Roxburghe Bank Ltd | 8 |
| AIB Bank | 5.5 | Financial & Gen Bank | 7 | * (in administration) | |
| ●Henry Ansbacher | 5.5 | ●Robert Fleming & Co | 5.5 | Royal Bk of Scotland | 5.5 |
| Bank of Baroda | 6 | Girobank | 5.5 | ●Smith & Williamson Secs. | 5.5 |
| Banco Bilbao Vizcaya | 5.5 | ●Guinness Mahon | 6 | Standard Chartered | 5.5 |
| Bank of Cyprus | 6 | Habib Bank AG Zurich | 5.5 | TSB | 5.5 |
| Bank of Ireland | 5.5 | ●Hambros Bank | 5.5 | ●United Bk of Kuwait | 5.5 |
| Bank of India | 6 | Heritable & Gen Inv Bk. | 6 | Unity Trust Bank Plc | 5.5 |
| Bank of Scotland | 5.5 | ●Hill Samuel | 5.5 | Western Trust | 6 |
| Barclays Bank | 5.5 | C. Hoare & Co | 5.5 | Whiteaway Laidlaw | 5.5 |
| Brit Bk of Mid East | 5.5 | Hongkong & Shanghai | 5.5 | Wimbledon & Sth West. | 7 |
| ●Brown Shipley | 5.5 | Julian Hodge Bank | 5.5 | Yorkshire Bank | 5.5 |
| CL Bank Nederland | 5.5 | ●Leopold Joseph & Sons | 5.5 | | |
| Citibank NA | 5.5 | Lloyds Bank | 5.5 | | |
| City Merchants Bank | 5.5 | Meghraj Bank Ltd | 5.5 | | |
| Clydesdale Bank | 5.5 | Midland Bank | 5.5 | | |
| The Co-operative Bank | 5.5 | * Mount Banking | 6 | | |
| Coutts & Co | 5.5 | * (in administration) | | | |
| Credit Lyonnais | 5.5 | NatWestminster | 5.5 | | |
| Cyprus Popular Bank | 6 | | | | |

● Members of British Merchant Banking & Securities Houses Association

# MONEY MARKET FUNDS

## Money Market Trust Funds

## Money Market Bank Accounts

[illegible]

# WORLD STOCK MARKETS

EUROPE

PACIFIC

NORTH AMERICA

AFRICA

## INDICES

| | | | | | |
|---|---|---|---|---|---|
| **Thailand** | | | | | |
| Bangkok SET (30/4/75) | 1321.87 | 1305.24 | 1310.13 | 1380.84 12/11 | 818.84 1/6 |
| **Turkey** | | | | | |
| Istanbul Comp.(Jan 1986) | 16721.6 | 16443.9 | 16727.1 | 16727.10 22/11 | 3856.53 1/1 |
| **WORLD** | | | | | |
| MS Capital Int (1/1/70)§ | 581.5* | 580.8 | 581.8 | 607.10 15/10 | 498.80 13/1 |
| **CROSS-BORDER** | | | | | |
| Eurotrack 100(26/10/90) | 1329.41 | 1325.47 | 1331.12 | 1386.18 22/10 | 1083.02 13/1 |
| Euro Top-100 (26/6/90) | 1117.88 | 1118.44 | 1121.54 | 1175.46 22/10 | 882.73 13/1 |
| JCapelDggs (31/12/88) | (u) | 302.01 | 306.45 | 318.71 12/11 | 188.82 4/1 |
| Barings Emerg.(7/1/92) | 142.30 | 142.49 | 143.93 | 144.70 19/11 | 98.81 4/2 |

### ■ CAC-40 STOCK INDEX FUTURES (MATIF)

| | Open | Sett Price | Change | High | Low | Est. vol. | Open Int. |
|---|---|---|---|---|---|---|---|
| Nov | 2094.0 | 2073.0 | -4.0 | 2096.0 | 2058.0 | 666 | 26,400 |
| Dec | 2108.0 | 2086.5 | -4.0 | 2109.5 | 2070.0 | 71 | 41,967 |
| Jan | 2119.0 | 2088.0 | -4.0 | 2119.0 | 2110.0 | 86 | 290 |
| Mar | 2131.0 | 2119.0 | -4.0 | 2131.0 | 2131.0 | 75 | 14,462 |

Open interest figures for previous day.

... values of all indices are 100 except: Australia All Ordinary ... (00), ISEQ Overall; Toronto Comp./Metals & Minerals and ... – 60 and Standard and Poor's – 10. §§ Montreal. ♦ ...

## US INDICES

| Dow Jones | Nov 23 | Nov 22 | Nov 19 | 1993 High | 1993 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Industrials | 3674.17 | 3670.25 | 3694.01 | 3710.77 (16/11) | 3241.95 (20/1) | 3710.77 (16/11/93) | 41.22 (2/7/32) |
| Home Bonds | 108.81 | 108.85 | 108.81 | 108.77 (18/10) | 103.49 (11/1) | 108.77 (18/10/93) | 54.99 (1/10/81) |
| Transport | 1693.31 | 1711.26 | 1727.29 | 1759.98 (16/11) | 1453.84 (4/1) | 1759.98 (16/11/93) | 12.32 (8/7/32) |
| Utilities | 225.88 | 223.97 | 223.64 | 256.46 (31/8) | 217.14 (8/1) | 256.46 (31/8/93) | 10.50 (8/4/32) |

DJ Ind. Day's high 3702.67 (3687.82 ) Low 3649.57 (3627.76 ) (Theoretical♦)
Day's high 3684.23 (3682.61 ) Low 3653.93 (3650.97 ) (Actual♦)

| Standard and Poors | Nov 23 | Nov 22 | Nov 19 | 1993 High | 1993 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Composite ‡ | 461.03 | 459.13 | 462.60 | 469.50 (15/10) | 429.05 (8/1) | 469.50 (15/10/93) | 4.40 (1/6/32) |
| Industrials♥ | 534.42 | 533.12 | 537.06 | 540.25 (18/11) | 485.48 (26/4) | 540.25 (18/11/93) | 3.62 (21/6/32) |
| Financial | 43.08 | 42.49 | 42.96 | 48.40 (28/9) | 39.89 (8/1) | 48.40 (28/9/93) | 8.64 (1/10/74) |
| NYSE Comp. | 254.24 | 253.25 | 255.53 | 260.48 (15/10) | 236.21 (8/1) | 260.48 (15/10/93) | 4.46 (25/4/42) |
| Amex Mkt Val | 461.04 | 460.86 | 467.98 | 484.28 (2/11) | 395.84 (8/1) | 484.28 (2/11/93) | 29.31 (9/12/72) |
| NASDAQ Cmp | 746.82 | 738.13 | 751.56 | 787.42 (15/10) | 645.87 (26/4) | 787.42 (15/10/93) | 54.87 (31/10/72) |

### ■ RATIOS

| | Nov 19 | Nov 12 | Nov 5 | Year ago |
|---|---|---|---|---|
| Dow Jones Ind. Div. Yield | 2.71 | 2.80 | 2.77 | 3.19 |
| | Nov 17 | Nov 10 | Nov 3 | Year ago |
| S & P Ind. Div. yield | 2.38 | 2.40 | 2.41 | 2.85 |
| S & P Ind. P/E ratio | 28.88 | 28.69 | 28.61 | 27.72 |

### ■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 461.85 | 462.15 | +0.40 | 462.50 | 461.25 | 53,479 | 189,142 |
| Mar | 463.30 | 463.10 | +0.25 | 463.35 | 463.00 | 1,584 | 13,463 |
| Jun | - | 464.05 | - | 464.30 | - | 58 | 2,028 |
| Sep | - | 465.25 | - | 465.50 | - | 1 | 439 |

Open interest figures are for previous day.

### ■ NEW YORK ACTIVE STOCKS

| Tuesday | Stocks traded | Close price | Change on day |
|---|---|---|---|
| BP | 20,342,500 | 61⅛ | +1½ |
| Merck | 4,045,700 | 34⅞ | +⅝ |
| Musicland | 3,140,400 | 20 | +1½ |
| Gen Mot E | 2,845,100 | 28¼ | +1⅛ |
| Paramount | 2,743,300 | 76¾ | -2⅛ |
| Wal-Mart | 2,376,200 | 29⅛ | -⅛ |
| Gen Motors | 2,330,900 | 52⅝ | -⅛ |
| Telefonos | 2,212,900 | 55⅝ | -⅞ |
| AMR | 2,205,800 | 65⅛ | -3½ |
| Unilever | 2,156,200 | 111¼ | +1¼ |

### ■ TRADING ACTIVITY

| Volume (million) | Nov 23 | Nov 22 | Nov 19 |
|---|---|---|---|
| New York SE | 259.237 | 276.780 | 283.068 |
| Amex | 20.410 | 17.435 | 18.031 |
| NASDAQ | 279.548 | 302.136 | 318.113 |
| **NYSE** | | | |
| Issues Traded | 2,677 | 2,686 | 2,690 |
| Rises | 1,154 | 494 | 793 |
| Falls | 907 | 1,704 | 1,323 |
| Unchanged | 616 | 488 | 574 |
| New Highs | 17 | 30 | 29 |
| New Lows | 78 | 107 | 72 |

● Correction: * Calculated at 15.00 GMT. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation.
♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

### ■ TOKYO - MOST ACTIVE STOCKS: Wednesday, November 24, 1993

| | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|
| Nippon Steel | 4.5m | 318 | +1 |
| NKK | 4.4m | 226 | -4 |
| Toshiba | 4.3m | 619 | -17 |
| Hitachi | 2.9m | 773 | -17 |
| Mitsubishi Hvy | 2.7m | 610 | -19 |
| Kawasaki Steel | 2.4m | 317 | +4 |
| Tokai Bank | 2.4m | 701 | -9 |
| Tokyo Gas | 2.3m | 470 | +4 |
| Mitsui Mn & Sm | 2.2m | 377 | -8 |
| Keiyo Bank | 2.2m | 722 | -18 |

4 pm close November 24

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 1993 High | 1993 Low | Stock | Div | Yld % | P/E | Sls 100s | High | Low | Close Quote | Chge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 14 5/8 | 11 1/2 | AAR | 0.48 | 3.5 | 693 | 58 | 14 | 13 1/2 | 13 7/8 | +3/8 |
| 29 7/8 | 13 1/2 | A L Labs A | 0.19 | 1.3 | 32 | 684 | 13 7/8 | 13 3/4 | 13 7/8 | +1/8 |
| 67 1/4 | 54 5/8 | AMP | 1.60 | 2.7 | 20 | 2841 | 58 1/2 | 57 1/8 | 58 3/8 | +3/4 |
| 72 3/4 | 55 1/2 | AMR | | | 51 | 5131 | 66 1/4 | 65 3/8 | 66 | +7/8 |
| 3 7/8 | 1 3/4 | ARX | | | 12 | 170 | 3 1/4 | 3 1/8 | 3 1/8 | |
| 51 1/2 | 29 7/8 | ASA x | 2.00 | 4.2 | 31 | 745 | 47 1/2 | 46 7/8 | 47 1/8 | -1/2 |
| 30 3/4 | 22 5/8 | AbbtL | 0.68 | 2.3 | 17 | 6651 | 29 1/4 | 28 3/4 | 29 1/8 | +1/2 |
| 12 5/8 | 6 1/4 | Abitibi Pr | 0.50 | 4.7 | 6 | 5 | 10 3/4 | 10 3/4 | 10 3/4 | |
| 15 5/8 | 8 1/4 | Acptnceln | | | 20 | 20 | 12 1/8 | 12 | 12 | |
| 36 | 25 1/2 | ACE Ltd | 0.40 | 1.4 | 5 | 644 | 29 3/4 | 29 1/8 | 29 1/4 | -1/2 |
| 12 | 10 3/8 | ACM Gvt In | 1.09 | 9.2 | | 180 | u12 | 11 7/8 | 11 7/8 | |
| 10 1/8 | 9 1/8 | ACM GvOpp | 0.60 | 6.4 | | 101 | 9 5/8 | 9 3/8 | 9 1/2 | |
| 10 1/8 | 8 7/8 | ACM Gvt Sp | 0.96 | 9.6 | | 149 | 10 | 9 7/8 | 10 | +1/8 |
| 11 5/8 | 10 1/2 | ACM Gvt Se | 1.09 | 9.4 | | 133 | u11 5/8 | 11 1/2 | 11 5/8 | +1/8 |
| 11 7/8 | 9 5/8 | ACM Msn | 1.08 | 9.2 | | 104 | 11 3/4 | 11 5/8 | 11 3/4 | |
| 9 3/8 | 8 5/8 | ACM Mgd | 0.72 | 8.0 | | 34 | 9 | 9 | 9 | -1/8 |
| 12 5/8 | 7 3/4 | AcmeClv | 0.44 | 4.6 | 12 | 80 | 9 1/2 | 9 3/8 | 9 1/2 | |
| 11 3/8 | 6 3/8 | Acme Elect | | | 38 | 51 | 8 5/8 | 8 | 8 1/2 | +3/8 |
| 27 5/8 | 18 5/8 | Acordia | 0.44 | 2.0 | 12 | 204 | 21 5/8 | 21 | 21 5/8 | +1/2 |
| 16 | 10 3/8 | Acuson | | | 61 | 103 | 13 5/8 | 13 3/8 | 13 1/2 | |
| 21 3/4 | 17 3/4 | Adams Expr | 0.49 | 2.7 | 0 | 89 | 18 1/8 | 17 7/8 | 18 | |
| 66 1/4 | 45 1/2 | Ad Micro | 3.00 | 6.2 | | 203 | 48 1/2 | 48 | 48 1/4 | -1/8 |
| 32 3/4 | 17 5/8 | AdvMic | 3.00 | 15.6 | 7 | 9365 | 19 1/4 | 18 1/2 | 19 | +1/2 |
| 8 1/8 | 5 1/2 | Advest Grp | 0.16 | 2.3 | 12 | 69 | 7 | 6 7/8 | 6 7/8 | |
| 24 3/4 | 14 1/4 | Advo Inc | 0.09 | 0.5 | 76 | 109 | 16 | 15 1/2 | 16 | +3/4 |
| 51 1/2 | 41 1/8 | Aegon ADR | 1.23 | 2.5 | 10 | 78 | 50 3/8 | 50 | 50 | -3/8 |
| 66 1/4 | 43 3/8 | AetnaL | 2.76 | 4.6 | 25 | 822 | 60 5/8 | 60 1/4 | 60 1/4 | |
| 34 | 24 3/4 | Aflac | 0.40 | 1.5 | 12 | 3335 | 26 7/8 | 26 1/8 | 26 3/8 | +3/8 |
| 22 1/8 | 16 3/4 | Ahmcn | 0.88 | 4.9 | 8 | 1003 | 18 1/8 | 17 7/8 | 18 | +1/4 |
| 7 3/4 | 3 5/8 | Aileen Inc | | | 7 | 46 | 5 1/4 | 5 1/8 | 5 1/4 | -1/4 |
| 48 1/2 | 37 1/2 | AirPrC | 0.92 | 2.1 | 24 | 2521 | 43 3/4 | 42 3/4 | 43 3/8 | +5/8 |
| 33 | 18 1/8 | Airbne Frt | 0.30 | 1.0 | 25 | 330 | 32 | 31 1/4 | 31 1/4 | -1/4 |
| 50 7/8 | 19 3/4 | Airgas Inc | | | 41 | 755 | 41 1/8 | 40 5/8 | 41 1/8 | -1/8 |
| 16 1/8 | 10 1/2 | Airlease | 1.72 | 10.9 | 11 | 29 | 15 7/8 | 15 3/4 | 15 3/4 | |
| 106 1/2 | 101 | AlaPw8 16 | 8.16 | 7.8 | | 2 | 104 1/4 | 104 1/4 | 104 1/4 | |
| 107 | 102 1/2 | Alab 8.28C | 7.28 | 7.1 | | z30 | 102 7/8 | 102 7/8 | 102 7/8 | |

Continued on next page





to proceed.
In the Ukraine, unable and Electricité de France, told the

4 pm close November 24

# NYSE COMPOSITE PRICES

| 1993 High | Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Chng Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| Continued from previous page | | | | | | | | | | |
| 25⅞ | 16⅞ | Sefeg'd Sc | | | 11 | 8 | 25½ | 25¼ | 25¾ | |
| 24¼ | 13⅛ | SftyK | 0.36 | 2.5 | 22 | 2338 | 14⅝ | 14½ | 14⅝ | |
| 22⅜ | 10⅞ | Safeway | | | 23 | 679 | 19½ | 19¼ | 19⅜ | -⅛ |
| 5⅛ | 2 | SafewayWBS | | | | 2 | 4⅝ | 4¼ | 4⅝ | +⅛ |
| 55 | 37½ | StJoePaper | 0.20 | 0.4 | 285 | 46 | 50¾ | 49½ | 50½ | +1¼ |
| 37⅞ | 31 | StJoeLAP | 1.76 | 5.5 | 13 | 3 | 32¼ | 32⅛ | 32⅛ | -⅛ |
| 98 | 75 | StPaul | 2.80 | 3.2 | 14 | 823 | 89½ | 87⅞ | 88⅞ | +1 |
| 11⅞ | 7 | Salant Crp | | | 8 | 83 | 7 | d6¾ | 7 | |
| 75¼ | 39⅞ | Sallie Mae | 1.40 | 3.2 | 9 | 1808 | 44⅝ | 43¼ | 44¼ | +¼ |
| 14⅜ | 12⅝ | Salomon Br x | 0.55 | 4.3 | | 186 | 12¾ | d12⅝ | 12¾ | +⅛ |
| 51⅞ | 34 | Salomon | 0.64 | 1.5 | 10 | 1671 | 43¾ | 43¼ | 43¾ | |
| 27¼ | 23¼ | SnDgGE | 1.48 | 5.9 | 13 | 865 | 25⅛ | 24⅞ | 25 | +⅛ |
| 5 | 3½ | SantaFeEDs | 0.40 | 8.2 | 48 | 10 | 4⅞ | 4⅞ | 4⅞ | |
| 11⅞ | 9⅛ | SantaFeERs | 0.15 | 1.5 | 225 | 315 | 9⅞ | 9¾ | 9¾ | |
| 40¾ | 35¼ | SantaFePac | 2.80 | 7.3 | 18 | 81 | 38½ | 38 | 38½ | +½ |
| 21⅞ | 12¾ | SanFeP | 0.10 | 0.5 | 8 | 2443 | 20¼ | 19⅝ | 19¾ | -⅜ |
| 31⅛ | 21 | SaraLee | 0.66 | 2.2 | 18 | 2989 | 28⅝ | 28⅛ | 28¼ | -¼ |
| 52¼ | 40⅛ | Scana Corp | 2.74 | 5.8 | 13 | 194 | 40⅛ | 40⅞ | 40 | |
| 25¼ | 18⅞ | Scecrp | 1.42 | 6.9 | 13 | 5410 | 20¾ | 20⅜ | 20½ | -⅜ |
| 38⅞ | 23⅞ | ScherarRP | | | 29 | 843 | 36 | 34¼ | 36 | +1⅞ |
| 71 | 51¾ | SchPl | 1.60 | 2.7 | 16 | 4029 | 69¼ | 67⅝ | 67½ | -1½ |
| 68⅞ | 55⅞ | Schlmb | 1.20 | 2.0 | 24 | 3876 | 61⅞ | 60⅛ | 60⅞ | -⅞ |
| 38⅝ | 16½ | Schwab(C) | 0.20 | 0.6 | 15 | 628 | 32⅛ | 31¼ | 31½ | +⅜ |
| 7¾ | 5⅝ | Schweitzer | | | 92 | 18 | 6½ | 6⅛ | 6½ | +⅛ |
| 38⅞ | 17¼ | SciAtl | 0.12 | 0.4 | 47 | 3078 | 31¾ | 31¼ | 31½ | -⅜ |
| 13⅞ | 9⅛ | Scotsman | 0.10 | 0.8 | 12 | 25 | 12⅞ | 12¾ | 12¾ | -⅛ |
| 41 | 31 | ScottP | 0.80 | 2.1 | 23 | 957 | 38⅛ | 37¾ | 37⅞ | -¼ |
| 26⅛ | 14¼ | ScuddrNAsF | 0.21 | 0.9 | | 198 | 23½ | 23 | 23¼ | +⅜ |
| 11½ | 7½ | ScuddrNEoF | 0.15 | 1.6 | | 82 | 9¾ | 9⅝ | 9¾ | |
| 31½ | 16¾ | SeaCnB | 0.70 | 3.8 | 9 | 4 | 18⅝ | 18½ | 18½ | -¼ |
| 17 | 15 | SeaC1.4625 | 1.46 | 9.4 | | 13 | 15½ | 15½ | 15½ | -½ |
| 30⅞ | 24½ | Seagrm | 0.56 | 2.0 | 18 | 1629 | 27¾ | 27⅜ | 27⅝ | |
| 32⅞ | 15 | Seagull En | | | 46 | 658 | 26¼ | 25½ | 26⅛ | +⅞ |
| 30⅝ | 21 | Sealed Air | | | 22 | 147 | 28¼ | 28⅛ | 28¼ | +¼ |
| 60⅛ | 42⅝ | SearsR | 1.60 | 2.9 | 32 | 6487 | 55 | 53⅝ | 55 | +1⅛ |
| 13¾ | 12⅝ | Seligm Sel | 0.84 | 6.5 | | 166 | 13 | 12⅞ | 12⅞ | |
| 48½ | 30 | Sensormat | 0.30 | 0.7 | 30 | 1134 | 44⅜ | 43⅝ | 44⅜ | +⅞ |

- X - Y - Z -

| 1993 High | Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Chng Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 88⅞ | 69⅞ | Xerox | 3.00 | 3.7 | 32 | 1340 | 82 | 80¾ | 81⅞ | +1¼ |
| 55½ | 51½ | Xerox4.125 | 4.12 | 7.7 | | 5 | 53¾ | 53¾ | 53¾ | -¼ |
| 50½ | 31¼ | Xtra Corp | 0.48 | 1.1 | 20 | 265 | 43¼ | 41½ | 43¼ | +⅞ |
| 29¼ | 19½ | Yankee Egy | 1.16 | 4.5 | 15 | 45 | 25⅞ | 25⅜ | 25⅞ | +⅜ |
| 1⅝ | ¾ | Zapata | | | 21 | 415 | 1½ | 1⅜ | 1½ | +⅛ |
| 10½ | 6⅞ | ZnthE | | | 2 | 1068 | 7⅞ | 7⅝ | 7⅝ | -¼ |
| 28¼ | 19⅝ | Zenith Nat | 1.00 | 4.5 | 10 | 78 | 22⅛ | 21⅞ | 22⅛ | +⅜ |
| 8 | 6½ | Zenix Inc | 0.82 | 10.7 | | 78 | 7⅝ | 7½ | 7⅝ | +⅛ |
| 15⅞ | 12¾ | Zero | 0.40 | 2.6 | 19 | 164 | 15½ | 15¼ | 15½ | |
| 40¾ | 25⅜ | Zurn Ind | 0.88 | 3.3 | 58 | 357 | 27¼ | 26¾ | 27 | -¼ |
| 13¾ | 12⅝ | Zweig Fund | 1.20 | 9.0 | | 122 | 13½ | 13⅜ | 13⅜ | -⅛ |
| 10⅞ | 9⅞ | Zweig Tot | 0.96 | 9.0 | | 365 | 10¾ | 10⅝ | 10⅝ | |

*Price data supplied by Telekurs*

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

# AMEX COMPOSITE PRICES

4 pm close November 24

| Stock | Div. | P/E | Sls 100s | High | Low | Close | Chng |
|---|---|---|---|---|---|---|---|
| B&H Ocean | 0.55 | 1 | 15 | 4⅛ | 4 | 4⅛ | +⅛ |
| BadgerMtr | 0.66 | 35 | 2 | 19½ | 19¼ | 19¼ | -¼ |
| BaldwnT A | 0.04 | 22 | 21 | 5 | 4⅞ | 5 | +⅛ |
| Barry RG | | 11 | 278 | u10⅞ | 10¼ | 10⅞ | +⅝ |
| BAT Ind | 0.29 | 13 | 108 | 7⅛ | 7⅜ | 7½ | +1/16 |
| Beard Oil | | 0 | 2 | 1/16 | 1/16 | 1/16 | |
| Bergen Br | 0.40 | 22 | 504 | 18¼ | 18 | 18⅛ | -⅛ |
| Birks Man | 0.50 | 168 | 6 | 23⅝ | 23⅜ | 23⅝ | |
| Bio-Rad A | | 18 | 25 | 11½ | d11⅜ | 11⅜ | -¼ |
| Blount A | 0.50 | 31 | 548 | 23½ | 23⅛ | 23¾ | -¼ |
| Bolar Ph | | 42 | 206 | 6⅝ | 6⅜ | 6⅜ | |
| Bow Valley | | 45 | 29 | 11⅛ | 10⅞ | 10⅞ | |
| Bowmar | | 47 | 243 | 4⅛ | 4⅛ | 4⅛ | -⅛ |
| Bowne | 0.30 | 10 | 29 | 18⅛ | 18 | 18⅛ | +⅛ |
| Brascan A | 1.04 | 11 | 86 | u11⅞ | 11¼ | 11¼ | |
| Cal Engy | | 17 | 1344 | 17¾ | 17⅝ | 17⅝ | |
| Calprop | | 0 | 123 | 1 | 15/16 | 1 | |
| Cambrex | 0.20 | 13 | 2 | 19¾ | 19¾ | 19¾ | +⅛ |
| Can Marc x | 0.28 | 15 | 24 | 11 | 10⅞ | 10⅞ | |
| Chmbrs A | 0.01 | 8 | 272 | 4⅛ | 3⅞ | 4 | |
| Chambers | | 8 | 35 | 4⅛ | 3⅞ | 3⅞ | -⅛ |
| DWG Corp | | 18 | 525 | 31⅛ | 30⅝ | 30⅞ | |
| Eastn Co | 0.46 | 15 | 8 | 12⅞ | 12¾ | 12⅞ | |
| Eastgroup | 1.84 | 15 | 20 | 20½ | 20¼ | 20¼ | -½ |
| Echo Bay | 0.07 | 54 | 5755 | 12⅝ | 12⅜ | 12⅝ | -⅛ |
| Ecol En A | 0.28 | 12 | 54 | 14⅝ | 14⅜ | 14½ | |
| Edisto Rs | | 7 | 24 | 9½ | 9⅜ | 9½ | |
| Engy Serv | | 87 | 1103 | 3⅝ | 3⅛ | 3½ | -⅛ |
| Epitope | | 12 | 201 | 22 | 21⅛ | 21½ | -½ |
| Fab Inds | 0.50 | 13 | 12 | 35⅜ | 35¼ | 35¼ | +⅛ |
| Fina A | 3.20 | 11 | 2 | 70¼ | 70¼ | 70¼ | -¼ |
| FstCityBnc | 0.20 | 12 | z100 | 11⅝ | 11⅝ | 11⅝ | |
| Fluke (J) | 0.52 | 16 | 194 | 25⅜ | 25⅛ | 25⅜ | +⅜ |
| Forest La | | 28 | 1786 | 46¼ | 45¾ | 45¾ | -⅜ |
| Frequency | | 3 | 8 | 5⅛ | 5 | 5⅛ | +¼ |
| Fr ofLoom | | 13 | 1919 | 35¼ | 34⅞ | 35¼ | +⅛ |
| Garan | 1.80 | 9 | 131 | 32⅞ | 32½ | 32½ | -⅜ |
| Giant FdA | 0.70 | 15 | 145 | 23¼ | 22⅞ | 23⅛ | +⅜ |
| Glatfltr | 0.70 | 31 | 283 | 18⅞ | 18⅝ | 18⅞ | +¼ |
| Goldfield | | 11 | 326 | ⅝ | 9/16 | 9/16 | -1/16 |
| Greenman | | 25 | 37 | 5⅝ | 5⅝ | 5⅝ | +⅛ |
| Jan Bell | | 44 | 1927 | 12⅛ | 11⅞ | 12 | -⅛ |
| Ketema | | 10 | 8 | 13⅞ | 13¾ | 13¾ | -⅛ |
| Kinark Cp | | 21 | 54 | 4⅛ | 3¾ | 4⅛ | +⅛ |
| Kirby Exp | | 27 | 83 | 18¾ | 18⅝ | 18⅝ | -⅛ |
| Labarge | | 15 | 22 | 2¼ | 2¼ | 2¼ | |
| Laser Ind | | 25 | 971 | 8⅝ | 8⅜ | 9¼ | +½ |
| Lee Pharm | | 66 | 321 | 2⅞ | 2¾ | 2¾ | -1/16 |
| Lionel Cp | | 0 | 240 | ⅛ | ⅛ | ⅛ | |
| Lumex Inc | | 12 | 85 | 10½ | 10¼ | 10¼ | -¼ |
| Lynch Cp | | 7 | 15 | 24⅛ | 23⅞ | 24⅛ | +⅛ |
| Matec'Sc | | 24 | 645 | 23⅞ | 23⅝ | 23¾ | |
| Maxxam | | 4 | 90 | 35¾ | 35 | 35⅞ | -⅝ |
| Media A | 0.44 | 26 | 495 | 25½ | 24⅞ | 25 | -¼ |
| Mem Co | 0.20 | 3 | 61 | 4 | d3¾ | 3⅞ | |
| Moog A | | 57 | 3 | 7½ | 7½ | 7½ | -⅛ |
| MSR Expl | | 1 | 251 | ⅝ | 9/16 | 9/16 | -1/16 |
| Nat Ptnt | | 10 | 362 | 4⅛ | 4⅜ | 4½ | -⅛ |
| New Line | | 31 | 204 | 23 | 22⅞ | 23 | +⅛ |
| NY TmA x | 0.56 | 75 | 774 | 24⅞ | 24⅝ | 24¾ | +1/16 |
| NthCanOil | 0.20 | 19 | 6 | 10¼ | 10¼ | 10¼ | |
| SJW Corp | 2.04 | 11 | 19 | 36⅛ | 36 | 36 | -⅛ |
| SthnUnion | | 25 | 27 | 27¾ | 27½ | 27¾ | +⅛ |
| Starl El | 0.04 | 12 | 1114 | 9⅞ | 8½ | 9⅞ | +1⅜ |
| TII Ind | | 26 | 31 | 3 13/16 | 3 11/16 | 3¾ | +1/16 |
| Tab Prods | 0.20 | 34 | 15 | 7⅝ | 7⅝ | 7⅝ | -⅛ |
| Tel&Data | 0.34 | 57 | 1495 | 48⅝ | 46⅝ | 47⅛ | -¼ |
| Thermedcs | | 73 | 668 | 14⅞ | 14⅝ | 14¾ | -¼ |
| Thermolns | | 33 | 68 | 31¼ | 30⅞ | 31¼ | +⅜ |
| TotPHA | 0.40 | 20 | 179 | 12⅝ | 12½ | 12½ | |
| TownCntry | | 0 | 23 | 2¾ | 2 11/16 | 2 11/16 | -1/16 |
| Tubos Mex | | 15 | 203 | 5 | 4⅝ | 4¾ | -¼ |
| UtdFoodsA | | 4 | 20 | 1¾ | 1¾ | 1¾ | +⅛ |
| UtdFoodsB | 0.20 | 42 | 30 | 1 11/16 | 1 11/16 | 1 11/16 | +1/16 |
| UnivPtnts | | 18 | 15 | 6½ | 6⅜ | 6½ | |
| US Cellul | | 235 | 24 | 30⅞ | 30½ | 30⅝ | -⅜ |
| Weatherfd | | 32 | 1287 | 11⅛ | 11⅛ | 11½ | -⅛ |
| Westamer | 0.60 | 19 | 20 | 26⅞ | 26⅝ | 25⅝ | -⅜ |
| WRET x | 1.12 | 19 | 105 | 13¾ | 13½ | 13⅝ | +⅛ |
| Worthen | 0.20 | 8 | 50 | 22 | d21⅞ | 21⅞ | -⅛ |
| Xytronix | | 7 | 60 | 7½ | 7¼ | 7½ | +⅛ |

# NASDAQ NATIONAL MARKET

4 pm close November 24

[illegible]

AMERICA

# Economic data give gentle support to Dow

**Wall Street**

US share prices firmed slightly across the board yesterday morning, but trading was subdued ahead of the Thanksgiving holiday break, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was 12.39 firmer at 3,686.46. The more broadly based Standard & Poor's 500 was up 1.61 at 462.64, while the Amex composite was up 0.67 at 461.71, and the Nasdaq composite up 5.60 at 752.34. Trading volume on the NYSE was 142m shares by 1 pm.

As on Tuesday, prices opened firmer yesterday following early gains in bond prices. By early afternoon the benchmark 30-year bond was up slightly, and the yield had eased to 6.3 per cent. Bonds have rallied strongly over the past two days, which has helped alleviate the concerns of equity investors. With interest rate worries temporarily shelved, share prices have been able to post modest advances.

Although the day's economic news was mixed, it was positive for equities on balance. Government reports on weekly unemployment insurance claims and October durable goods orders were both moderately bullish, and sustained the recent pattern of statistics revealing a steadily expanding economy.

On the debit side, the University of Michigan's consumer sentiment index fell in November. This, however, did not surprise investors. Over the past year, one of the features of the economic situation has been consistently weak consumer sentiment.

While there was some steady buying, trading activity throughout the morning and early afternoon was relatively subdued, with many participants winding down their activities as they prepared to leave for the long Thanksgiving weekend.

Among individual stocks, technology stocks were in favour. Hewlett-Packard put on $1¾ at $73⅞, IBM (which benefited from a ratings upgrade by the broking house, Smith Barney Shearson) added $2 at $55⅛, Digital Equipment firmed $⅞ at $36⅞, Compaq rose $1⅛ to $70 and Texas Instruments added $1 at $65⅛.

Philip Morris rose $⅜ to $55⅞ as investors reacted positively to the news that the big food and tobacco group is planning a significant corporate restructuring that will involve a large number of plant closures and workforce reductions. The restructuring, plus accounting changes, will force Philip Morris to take a charge of $952m in the fourth quarter.

Auto stocks, hit by selling earlier in the week, rebounded. Chrysler rose $1⅛ to $53⅞, Ford $1 at $60⅞ and General Motors $⅞ at $53⅞.

On the Nasdaq market, heavy demand for technology stocks continued to power a rally in the Nasdaq composite. Microsoft rose $2 to $79⅞, Intel firmed $1⅞ at $60¼ and Dell Computer rose $⅜ to $34⅛.

Brazilian equities rose by 5.8 per cent in moderate midsession trade on continued "safe-haven" buying, ahead of possible anti-inflation measures and a drop in interest rates. The Bovespa index was quoted at 27,343, up 1,504, at 1300 local time. Newspaper reports saying that the government had issued a decree aimed at limiting legal objections to future government measures, for example on tax reforms, also provided support.

**Canada**

Toronto shrugged off concerns over Ontario's debt ratings and reports that the 1993-94 federal budget deficit may hit a record C$45bn and gains were posted in most sectors. The TSE 300 index rose by 13.00 to 4,228.26 at noon.

EUROPE

# Paris suspends Euro Disney three times

In spite of Wall Street's morning gains, bourses tended to close yesterday less hopefully than they began, *writes Our Markets Staff.*

PARIS was boosted initially by buying on the first day of the monthly account, and by firmer bond futures; but the CAC-40 slipped into negative territory at the close of trading, ending 0.86 lower at 2,070.61 on profit-taking and growing concerns about last-minute GATT negotiations.

Turnover was FFr4.3bn. Euro Disney hit the headlines again, suspended limit down three times during the day before closing FFr6.20, or 18.6 per cent lower at FFr27.20 in volume of nearly 1m shares as the company waited for its banks and its US parent, the Walt Disney Co, to put a restructuring package together.

However, one of Tuesday's casualties, Elf Aquitaine, steadied with a fall of just FFr1.10 to FFr415.60 after a 3.5 per cent drop on a profits warning the day before. In New York, a Prudential Securities analyst upgraded the oil company to buy from hold on the company's longer term attractions.

Among the winners, Société Générale rose FFr16 to FFr681 after the bank's chairman, Mr Marc Vienot, said that he expected 1993 net profit to rise between 5 and 10 per cent.

MILAN rebounded after the cumulative 5.9 per cent fall of the previous two sessions as the prime minister, Mr Carlo Azeglio Ciampi, sought to calm the political situation by meeting the political parties that have given active and tacit support in parliament.

The Comit index rose 13.83 or 2.7 per cent to 526.27.

Mr Michele Pacitti of NatWest Securities commented that foreign investors were again viewing the market with a little more equanimity, although the situation remained fragile.

Telecommunications issues, sold heavily by foreign investors early in the week, made up some of the lost ground. Sip added 1.47 to L2,986 and Stet rose L21 to L3,471.

Olivetti climbed L204 or 12.2 per cent to L1,780: news that the list of bidders for Italy's second cellular telephone licence would be announced by December 15 brought renewed speculation that Olivetti could win the lucrative contract.

FRANKFURT had the will to recover but it was unable to sustain it, and the DAX index closed just 2.14 higher at 2,029.55 after an intraday high of 2,045.66 on short covering.

Turnover fell from DM9.2bn to DM7.6bn. Hesse, the first of four western German states to report inflation data, said that consumer prices rose by 0.3 per cent in November, the same rate as in October, but slowed to 3.8 per cent for the year from 3.9 per cent; but this news was not striking enough to boost the broad market.

At sector level, carmakers and automotive components suppliers regained some of the losses they sustained earlier in the week, with Daimler up DM8.30 to DM704.80 and Varta, the battery maker, DM7.50 higher at DM334.50. Volkswagen, meanwhile, rose DM7.50 to DM402.50 after compromise seemed possible in the negotiations over a four-day week at the company.

ZURICH ended a volatile day firmer, the SMI index adding 15.7 to 2,717.8.

Nestlé finished SFr9 higher at SFr1,179 with its 10 month figures at the low end of some expectations. The bearers rose to a day's high of SFr1,186 in immediate response to higher group sales, but slipped back when details of net debt raised the spectre of a rights issue. Nestlé said that it was not planning any capital increase or rights issue, although it might issue a bond, perhaps with an equity content.

AMSTERDAM edged lower, the CBS Tendency index slipping 0.1 to 133.5, with activity restrained ahead of today's US holiday.

KLM, 60 cents higher at Fl 38.10, continued to recoup some of the losses which followed the collapse of the Alcazar talks. KNP BT, the paper and packaging group, dipped 30 cents to Fl 40.20 ahead of its announcement of a Fl 9m third quarter loss.

MADRID blamed foreign investor sales as the general index fell another 2.85 to 294.51. Banks were particularly weak, Santander leading the way down with a fall of Pta240, or 3.6 per cent to Pta6,460.

BRUSSELS closed easier as strikes in six of the nine Belgian provinces kept volume low, and foreign investors cautious. The Bel-20 finished 3.17 lower at 1,384.09, with a general strike planned for tomorrow in protest at government austerity measures.

*Written and edited by William Cochrane and Michael Morgan.*

**FT-SE Actuaries Share Indices**

Nov. 24 — THE EUROPEAN SERIES

| Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close |
|---|---|---|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1334.97 | 1334.08 | 1332.62 | 1332.02 | 1329.57 | 1326.66 | 1326.67 | 1329.41 |
| FT-SE Eurotrack 200 | 1401.06 | 1399.32 | 1396.84 | 1397.84 | 1395.47 | 1394.51 | 1394.96 | 1396.51 |

| | Nov. 23 | Nov. 22 | Nov. 19 | Nov. 18 | Nov. 17 |
|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1325.47 | 1331.12 | 1360.53 | 1357.62 | 1363.66 |
| FT-SE Eurotrack 200 | 1393.67 | 1396.17 | 1420.27 | 1427.61 | 1423.11 |

Base value 1000 (26/10/90) High/day: 100 - 1334.97; 200 - 1401.06 Low/day: 100 - 1326.72 200 - 1393.92.

ASIA PACIFIC

# Nikkei falls 1.8% as Hong Kong halts slide

**Tokyo**

Arbitrage-linked selling and margin unwinding depressed share prices, and the Nikkei average fell 1.8 per cent to a nine-month low, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 lost 317.73 at 17,067.11, after setting a day's high of 17,544.86 in the morning and a low in the afternoon of 16,993.90. The Topix index of all first section stocks shed 27.79, or 1.9 per cent, to 1,466.04. In London, later, Mr Nicholas Knight, the Nomura strategist, re-examined his worst case scenario for the Nikkei and revised it down to 12,000.

Equities gained ground in early trading on a rise in the futures market. However, as futures prices lost steam, profit-taking, arbitrage selling and margin unwinding overwhelmed buying by life assurers and tokkin, or specified money trusts.

Traders said life insurers were trying to support the Nikkei above the 17,000 level to sustain their unrealised profits on shareholdings. Meanwhile, corporate investors unloaded stocks to establish profits before share prices fell further.

Volume came to 270m shares, against 284m. Declines led rises by 872 to 158, with 130 issues unchanged. In London, however, the ISE/Nikkei 50 index put on 3.15 at 1,136.62.

East Japan Railway dipped Y4,000 to Y436,000 and Nippon Telegraph and Telephone Y15,000 to Y730,000. Foreign investors sold automobile stocks, and Toyota Motor receded Y30 to Y1,740 and Honda Motor Y70 to Y1,310.

High-technology issues also lost ground, Sony weakening Y100 to Y4,650, Hitachi Y17 to Y773 and NEC Y38 to Y822.

Financials were lower on arbitrage selling linked to the Topix index. Fuji Bank dropped Y110 to Y2,120 and Sumitomo Bank Y130 to Y2,170.

Gas companies, which reported firm earnings after lower fuel costs, thanks to the stronger yen, were among the day's few gainers. Tokyo Gas, which saw its interim pre-tax profits surge by more than 300 per cent, added Y4 at Y470.

Steels rallied after recent heavy selling. Kawasaki Steel put on Y4 at Y317.

Hohsui, a fishing concern, climbed Y80 to Y490 on rumours of a speculative buy recommendation from an unknown source.

In Osaka, the OSE average declined for the third day in a row, falling 298.19 to 19,183.26 in volume of 19.7m shares. Nintendo, the video game maker, lost Y400 to Y6,500.

**Roundup**

A firmer tone emerged in many Pacific Rim markets after the weakness of the previous two sessions.

HONG KONG saw a halt to its six-day losing streak as the market closed 2.2 per cent higher, buoyed by moderate bargain hunting and futures linked demand as concern eased over the outlook for US interest rates. The Hang Seng index gained 202.04 at 9,238.06.

Hutchison Whampoa surged HK$2.50, or 8.33 per cent, to HK$32.50 amid speculation that the company is planning a convertible bond issue.

AUSTRALIA was supported by bargain hunting, after Tuesday's falls, and an improving futures market and the All Ordinaries index improved 22.8 to 2,032.4 in A$421.9m turnover.

Boral's manufacturing arm, Azon, made its debut at a 12-cent premium to its A$2.00 issue price. It ended at A$2.15.

SEOUL saw waves of strong buying focused on highly capitalised stocks swamp profit-taking in asset situations, taking the composite index forward 11.08 to 838.98.

BANGKOK staged a decisive rebound, spurred by active buying by mutual funds. The market index closed 16.43 higher at 1,321.87 in turnover of Bt12.7bn. SINGAPORE edged ahead, the Straits Times Industrial index firming 4.10 to 2,080.79 and paring Tuesday's 20-point loss.

TAIWAN finished lower on a late wave of selling triggered by news that Hsu Li-tung, a leading member of the ruling Nationalist Party, was defecting to the New Party ahead of Saturday's local government elections.

The weighted index moved narrowly for most of the session but closed 44.87 down at 4,189.68, off a low of 4,177.31.

MANILA was mixed, with profit-takers dominating early trade and bargain hunters coming in during the last hour. The composite index ended 16.40 off at 2,372.40.

KUALA LUMPUR improved after two days of losses, the composite index gaining 3.42 at 970.30.

SHANGHAI's China B shares were hit by profit-taking, while SHENZHEN Bs staged a rebound. The Standard Chartered Securities Shanghai B-share index was 2.76, or 3.7 per cent, lower at 71.23, while the SC Securities Shenzhen B-share index added 1.81, or 2.2 per cent, at 83.71 after the 6.2 per cent decline of the previous two sessions.

KARACHI closed lower on a correction that took the KSE index 10.99 down to 1,704.93 after the sharp rise of the previous month.

# Foreign investor caution follows NZ polls shock

**Terry Hall on a suddenly listless equity market**

The New Zealand stock market is taking its time to recover from a severe blow received following this month's general elections.

Inspired by opinion polls, it had been expecting the National Party to win handsomely on November 6. The polls had also been predicting a possible continuation of the Westminster style first past the post (FPP) voting system. Businessmen whose identities are still secret had invested millions in a massive advertising campaign which had warned everyone of the dangers of abandoning FPP.

After the election, the initial reaction was that the business community had got the worst of all outcomes. Not only had voters overwhelmingly endorsed the German mixed member proportional (MMP) system, but it seemed as if a minority National government would have to rely on the left wing Alliance Party to govern, creating ongoing uncertainties.

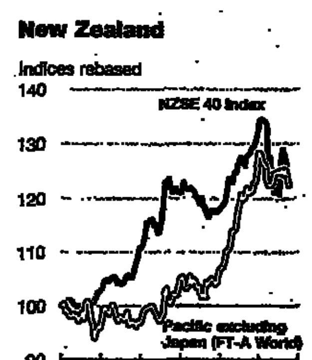
The NZSE-40 index, which had hit a four-year high of 2,203.09 three days before the election, dropped 7.6 per cent to 2,009.89 in the week following the poll, as interest rates soared and the exchange rate dipped.

Ten days later a recount gave National a narrow, one-seat parliamentary majority, but the subsequent rebound in equities was then worn away, partly by weaker offshore markets and some selling by international investors. Yesterday the index staged a minor rally, rising 13.63 to 2,068.43.

A key reason for the listless trading has been Prime Minister Jim Bolger's refusal to confirm whether the hard line reformist finance minister, Ms Ruth Richardson, would be reappointed, or whether her job will be given to the moderate, Mr Wyatt Creech, who is more acceptable to opposition parties in the perilously balanced parliament.

The new cabinet is expected to be announced tomorrow, or on Monday. The business community is divided over how vital Ms Richardson's reappointment will be. It is believed that the new political situation may have removed any scope for further reforms.

**New Zealand**




Source: Datastream

However, it is accepted that Ms Richardson is wanted as finance minister by overseas investors. Mr Nigel Hale, the Asian investment director of UK based Invesco, got headlines in the press yesterday by saying that his company would have "to look at its investments in New Zealand" if Ms Richardson was not reappointed. He said that his fund was full of admiration for what had been achieved by the New Zealand reforms.

The domestic and international uncertainties are tending to obscure positive economic news. Mr Bolger's recent series of meetings with US President Bill Clinton marked an important breakthrough in the eight-year rupture in relations between the two countries over New Zealand's anti-nuclear ships issue, and the meetings are seen as healing the political rift.

Exporters say this will help trade with a key export partner. The latest trade figures, released yesterday, showed a further improvement; the inflation outlook remains low, business confidence is high and statistics show a growth in employment. GDP growth is running at its highest level since 1985.

Most analysts are predicting that corporate profitability, which improved markedly this year, will continue to improve, helped by minimal growth in wages and inflation, and by rising confidence. Most export commodity prices are high, especially sheep meat and forestry.

In the short term the market is expected to be wary of changing sentiment towards equities abroad, especially on Wall Street following substantial buying of New Zealand shares in recent years. An estimated 35 per cent of the market is now held by US investors, and their attitude to New Zealand recovery is seen as crucial.

Broadly there is confidence that the market is stable at current levels, given the Reserve Bank Act's removal of the setting of monetary policy from politicians, and the outlook for improving corporate profits. New Zealand would be a principal beneficiary from any resolution of the GATT round.

Mr Kevyn Rendell of CS First Boston says that the market may mark time until early next year - when the next round of corporate results are expected to confirm the continuing improvement in business and economic fundamentals which is believed to be occurring.

**SOUTH AFRICA**

Johannesburg tumbled in the process of squaring positions ahead of US Thanksgiving. The golds index fell 75, or 3.9 per cent, to 1,869, industrials 17 to 4,851 and the overall index 48 to 4,176.



**FT-ACTUARIES WORLD INDICES**

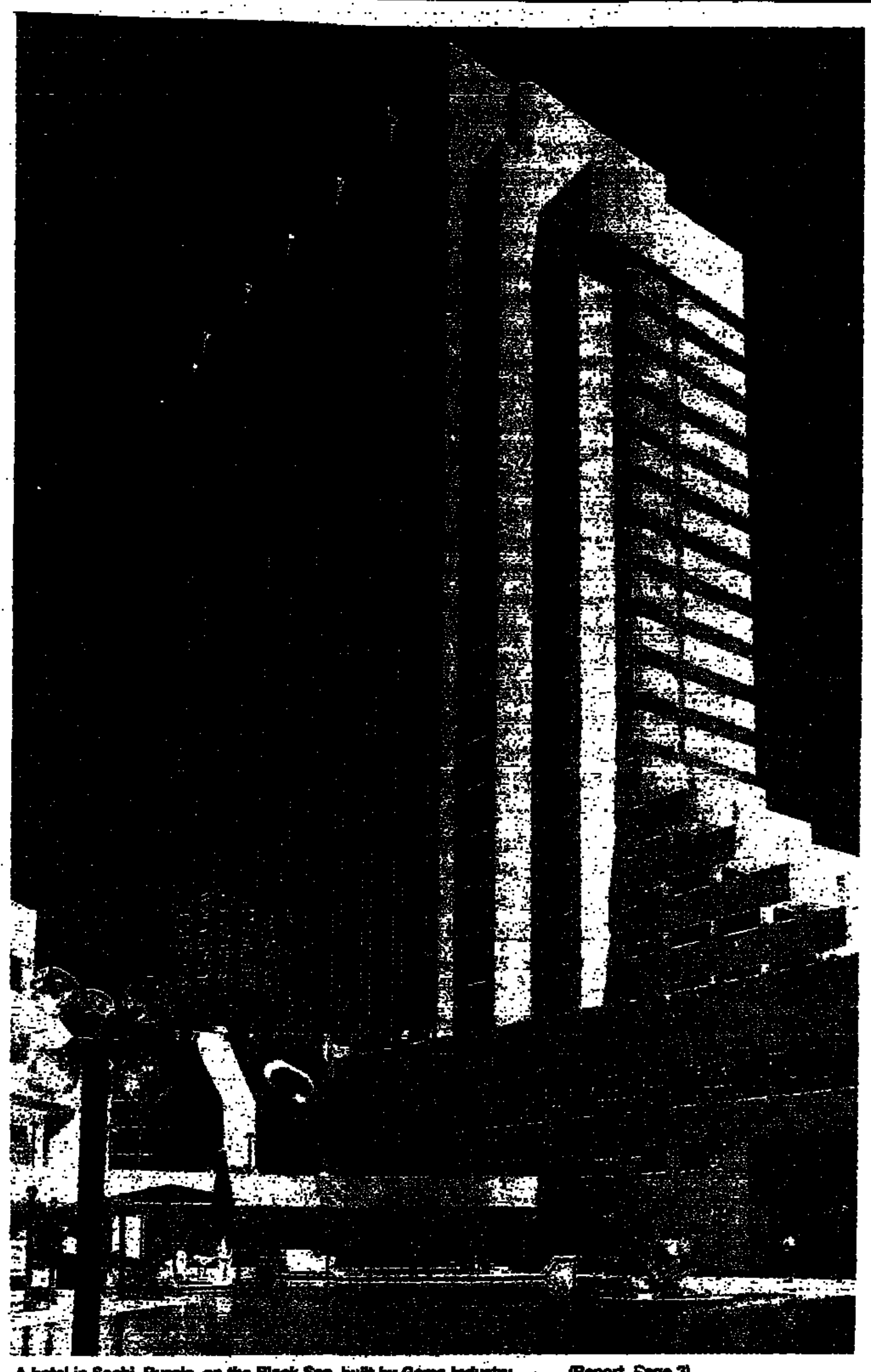
Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock | TUESDAY NOVEMBER 23 1993 US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | MONDAY NOVEMBER 22 1993 US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | DOLLAR INDEX 1993 High | 1993 Low | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Australia (69) | 150.94 | -1.8 | 150.65 | 103.52 | 133.49 | 151.40 | -2.0 | 3.89 | 153.66 | 154.51 | 105.15 | 136.09 | 154.48 | 162.83 | 117.39 | 115.95 |
| Austria (17) | 171.72 | -1.0 | 171.39 | 117.77 | 151.86 | 152.25 | -0.9 | 1.05 | 173.45 | 174.40 | 118.69 | 153.62 | 153.57 | 184.47 | 131.18 | 138.74 |
| Belgium (42) | 152.82 | +0.7 | 152.53 | 104.81 | 135.15 | 136.43 | +0.9 | 4.22 | 151.70 | 152.54 | 103.80 | 134.35 | 135.24 | 156.76 | 131.19 | 134.89 |
| Canada (107) | 132.98 | +0.6 | 132.72 | 91.20 | 117.59 | 127.78 | +0.4 | 2.57 | 132.21 | 132.94 | 90.48 | 117.09 | 127.28 | 135.54 | 111.41 | 111.84 |
| Denmark (32) | 234.22 | -0.6 | 233.76 | 160.64 | 207.13 | 215.34 | -0.5 | 1.05 | 235.58 | 236.87 | 161.20 | 208.64 | 216.52 | 241.06 | 185.11 | 181.70 |
| Finland (23) | 118.96 | -2.4 | 118.73 | 81.59 | 105.21 | 145.40 | -1.7 | 0.72 | 121.90 | 122.57 | 83.42 | 107.96 | 147.95 | 128.99 | 65.50 | 67.17 |
| France (99) | 160.19 | -0.3 | 159.88 | 109.86 | 141.65 | 148.44 | -0.5 | 3.13 | 160.64 | 161.52 | 109.92 | 142.26 | 149.18 | 173.05 | 142.72 | 140.46 |
| Germany (60) | 129.98 | -0.1 | 129.73 | 89.16 | 114.95 | 114.95 | -0.2 | 1.85 | 130.10 | 130.81 | 89.03 | 115.22 | 115.22 | 138.13 | 101.59 | 103.31 |
| Hong Kong (55) | 368.41 | -1.5 | 367.69 | 252.67 | 325.82 | 365.38 | -1.5 | 2.99 | 374.01 | 376.06 | 255.92 | 331.25 | 371.03 | 394.24 | 218.82 | 242.33 |
| Ireland (14) | 172.05 | -0.2 | 171.72 | 118.00 | 152.15 | 172.24 | -0.4 | 3.29 | 172.39 | 173.34 | 117.96 | 152.68 | 172.95 | 177.89 | 129.28 | 128.02 |
| Italy (70) | 57.89 | -1.0 | 57.77 | 39.70 | 51.19 | 73.15 | -0.5 | 2.29 | 58.47 | 58.79 | 40.01 | 51.78 | 73.50 | 78.93 | 53.78 | 58.87 |
| Japan (469) | 139.18 | -0.2 | 138.90 | 95.45 | 123.09 | 95.45 | +0.0 | 0.88 | 139.50 | 140.26 | 95.45 | 123.56 | 95.46 | 165.91 | 100.75 | 103.69 |
| Malaysia (69) | 467.40 | -2.3 | 466.48 | 320.55 | 413.33 | 459.43 | -2.2 | 1.52 | 478.17 | 480.79 | 327.18 | 423.48 | 469.79 | 487.72 | 251.86 | 276.28 |
| Mexico (19) | 2030.36 | +0.6 | 2026.38 | 1392.51 | 1795.54 | 6881.09 | +0.5 | 0.72 | 2017.89 | 2028.96 | 1380.77 | 1787.14 | 6849.32 | 2030.36 | 1410.30 | 1687.72 |
| Netherland (26) | 188.11 | +0.6 | 187.74 | 129.01 | 166.36 | 163.73 | +0.4 | 3.24 | 187.02 | 188.04 | 127.97 | 165.64 | 163.12 | 197.07 | 150.39 | 148.81 |
| New Zealand (13) | 62.35 | -1.3 | 62.23 | 42.76 | 55.14 | 60.42 | -1.3 | 3.90 | 63.19 | 63.54 | 43.24 | 55.97 | 61.24 | 66.38 | 40.56 | 40.34 |
| Norway (23) | 174.24 | -0.6 | 173.89 | 119.50 | 154.09 | 175.12 | -0.7 | 1.46 | 175.20 | 176.16 | 119.89 | 155.17 | 176.33 | 185.10 | 137.71 | 132.96 |
| Singapore (39) | 308.24 | -1.4 | 307.63 | 211.41 | 272.58 | 227.27 | -1.3 | 1.41 | 312.63 | 314.34 | 213.92 | 276.87 | 230.22 | 332.55 | 207.04 | 194.53 |
| South Africa (60) | 224.49 | -2.0 | 224.05 | 153.96 | 198.52 | 215.16 | -0.8 | 2.51 | 229.02 | 230.27 | 156.70 | 202.82 | 216.99 | 229.39 | 144.72 | 134.21 |
| Spain (42) | 134.03 | -1.2 | 133.77 | 91.92 | 118.53 | 140.12 | -1.0 | 4.26 | 135.61 | 136.36 | 92.80 | 120.10 | 141.47 | 145.24 | 115.23 | 113.32 |
| Sweden (36) | 181.92 | -1.6 | 181.56 | 124.77 | 160.88 | 225.41 | -1.0 | 1.55 | 184.87 | 185.89 | 126.51 | 163.74 | 227.71 | 208.92 | 149.70 | 165.05 |
| Switzerland (50) | 146.36 | +0.2 | 146.07 | 100.39 | 129.45 | 135.20 | +0.0 | 1.61 | 146.04 | 146.84 | 99.94 | 129.36 | 135.18 | 148.18 | 108.91 | 103.32 |
| United Kingdom (218) | 185.00 | +0.7 | 184.64 | 126.87 | 163.59 | 184.64 | +0.0 | 3.89 | 183.87 | 184.88 | 125.67 | 162.65 | 184.86 | 193.97 | 162.00 | 164.58 |
| USA (518) | 187.52 | +0.4 | 187.15 | 128.62 | 165.84 | 187.52 | +0.4 | 2.76 | 186.78 | 187.80 | 127.81 | 165.43 | 186.78 | 191.56 | 175.38 | 174.83 |
| Europe (751) | 154.92 | +0.1 | 154.62 | 106.25 | 137.01 | 149.73 | -0.2 | 3.04 | 154.70 | 155.55 | 105.88 | 137.02 | 149.89 | 162.97 | 133.92 | 131.31 |
| Nordic (113) | 178.00 | -1.4 | 177.65 | 122.08 | 157.42 | 189.89 | -1.0 | 1.31 | 180.52 | 181.50 | 123.52 | 159.87 | 191.75 | 194.64 | 142.13 | 145.42 |
| Pacific Basin (714) | 147.98 | -0.5 | 147.67 | 101.48 | 130.85 | 105.35 | -0.3 | 1.14 | 148.64 | 149.45 | 101.71 | 131.64 | 105.64 | 158.80 | 105.89 | 108.52 |
| Euro-Pacific (1465) | 150.74 | -0.2 | 150.44 | 103.38 | 133.30 | 122.81 | -0.2 | 1.95 | 151.04 | 151.87 | 103.35 | 133.76 | 123.09 | 162.86 | 117.28 | 117.74 |
| North America (625) | 184.12 | +0.4 | 183.76 | 126.29 | 162.85 | 183.42 | +0.4 | 2.75 | 183.38 | 184.38 | 125.48 | 162.43 | 182.69 | 187.68 | 171.51 | 170.93 |
| Europe Ex. UK (533) | 135.80 | -0.2 | 135.54 | 93.16 | 120.12 | 129.13 | -0.3 | 2.48 | 136.12 | 136.86 | 93.16 | 120.58 | 129.48 | 143.73 | 112.51 | 111.33 |
| Pacific Ex. Japan (245) | 232.66 | -1.7 | 232.20 | 159.59 | 205.77 | 215.86 | -1.7 | 2.74 | 236.86 | 237.96 | 161.96 | 209.62 | 219.70 | 245.12 | 162.70 | 156.95 |
| World Ex. US (1651) | 152.24 | -0.2 | 151.94 | 104.42 | 134.64 | 125.61 | -0.2 | 1.96 | 152.55 | 153.38 | 104.39 | 135.11 | 125.88 | 162.89 | 118.51 | 118.61 |
| World Ex. UK (1951) | 160.92 | +0.0 | 160.61 | 110.37 | 142.33 | 140.87 | +0.0 | 2.09 | 161.00 | 161.88 | 110.17 | 142.60 | 140.83 | 168.66 | 134.22 | 133.98 |
| World Ex. So. Af. (2109) | 162.71 | +0.0 | 162.39 | 111.60 | 143.91 | 144.18 | +0.0 | 2.26 | 162.63 | 163.52 | 111.29 | 144.05 | 144.14 | 170.48 | 137.29 | 136.78 |
| World Ex. Japan (1700) | 177.32 | +0.1 | 176.98 | 121.63 | 156.84 | 173.81 | +0.0 | 2.82 | 177.09 | 178.06 | 121.19 | 156.87 | 173.76 | 181.67 | 157.47 | 156.38 |
| The World Index (2169) | 163.04 | +0.0 | 162.72 | 111.83 | 144.19 | 144.78 | +0.0 | 2.27 | 162.99 | 163.89 | 111.54 | 144.37 | 144.75 | 170.68 | 137.32 | 136.64 |


Latest prices were unavailable for this edition. Japanese market closed November 23.

# TURKISH FINANCE AND INDUSTRY

Thursday November 25 1993



A hotel in Sochi, Russia, on the Black Sea, built by Gama Industry (Report, Page 3)

Though the economy continues to bowl along, the public deficit is growing and the balance of payments is deteriorating. Meanwhile, Turkey is preparing for the challenge of customs union with the European Community in 1995. **John Murray Brown** reports

## Skating on thin ice

As winter sets in, Turkey skates uneasily on a rink of dangerously thin ice. While industry reports record profits and the stock exchange reaches new heights, the politicians in Ankara give the impression of lurching from one dilemma to the next, unable to offer solutions or even dictate their own agenda.

Turkey faces a looming crisis. The coalition government of Mrs Tansu Çiller is faced with a growing public deficit, a deterioration in the balance of payments and rising foreign debt. Already Moody's, the US rating agency, has said it is considering a downgrading, which could impair Turkey's access to the debt markets.

It seems only a matter of time before the escalating violence in the Kurdish-speaking region starts to impinge on the investment decisions of foreign companies in western Turkey. Mobil Oil of the US pulled out of the Kurdish area in September. All public works have been suspended after allegations that Kurdish rebels are demanding protection money from contractors. While the government refuses to countenance political and social reform for this hard-pressed minority, the violence can only get worse.

The next few months could well prove decisive as the campaign train rumbles into action ahead of municipal elections across the country in March.

The solitary comfort in this otherwise rather gloomy picture is that the economy continues to bowl along. Growth for 1993 is set to exceed last year's 6 per cent figure, after a staggering second quarter which saw the gross national product increase by 12 per cent. Indeed, while the rest of Europe pulls wearily out of recession, Turkey is enjoying a consumer boom, fuelled by looser domestic credit and increased foreign capital inflows. But if this heady cocktail is attractive today, the after-effects are not likely to be so pleasant.

Against such a background, corporate Turkey is now trying to prepare itself for the most momentous change in the trade regime in over 20 years. In 1995, barring upsets, a customs union will be established with the European Union. The motivation is as much political as economic. But the short-term cost to the Turkish economy will be *considerable – a topic which is* likely to dominate the negotiations which formally got under way at a meeting of the EU-Turkey Association Council early this month.

The implementation of a customs union will transform the face of Turkish industry. The charmed life of Turkey's large privately-owned companies, which have prospered behind high tariff barriers, is coming to an end. The market share of key sectors such as cars and consumer durables is likely to be squeezed by cheaper imports, particularly when Turkey adopts the EU's common commercial tariff for third countries, including eastern Europe.

McKinsey, the US management consultants, has just been employed to look at the car sector. The study will almost certainly conclude that Turkey's vehicle manufacturers are not ready.

Turkey's full membership of the EU is today a distant prospect. But both sides of the negotiating table appear resolved to deepen the relationship. Turkey is fearful that it is slipping down the queue, with the EU's moves to invite applications from Scandinavia and eastern Europe. Even Turkey's membership of Nato and the Council of Europe no longer carries as big a *cachet*, as these *two organisations also consider* new applicants.

The next few weeks will be critical. Brussels will be watching for any sign that Turkey is going back on its undertaking to meet the next round of tariff cuts. All tariffs have to be reduced to zero in 1995.

Industry complains at the failure of repeated governments to bring the budget deficit to heel. Managers say this has discouraged the long-term investment decisions necessary to upgrade technologies, the only way many local companies will survive the renewed competition which will follow customs union.

□ □ □

Much now depends on resolving the current political gridlock. When the coalition was formed in October 1991, there was popular expectation that the search for common cause would force both parties to moderate their positions – the right-wing True Path party (DYP), forced to take on a more reformist Kurdish policy and the Social Democratic Populists (SHP) a more pro-business stance. That did not happen. Indeed with Mrs Çiller's appointment as DYP leader, and as prime minister in June, after Mr Suleyman Demirel's move to the presidency – the lines of communication have become even more atrophied.

Mrs Çiller's attempts to legislate by decree have now been abandoned. The sale of state enterprises and tax reform, the twin pillars of her bid to bring down the deficit, remain blocked. The courts, on appeal from SHP deputies, have moved to prevent the sale of the state telecommunications company, and are poised to take similar action in the case of Tek, the power utility.

Meanwhile, the long-awaited tax bill, which Mrs Çiller earlier withdrew from parliament in an effort to extend its provisions, has still to be debated. Few officials believe it can be legislated before the end of the year. In that case, its effects will not be felt until the 1995 tax year at the earliest.

In the absence of much progress on reform, officials are counting on strong economic *growth to boost the fiscal side* by increasing the tax take. The competition resulting from the surge in lower cost imports may also prove instrumental in restraining inflation, although it still hovers around 65 per cent. In turn, there is every expectation that the frenetic pace of industrial activity will have eased the unemployment problem.

More worrying is the reserves position, which while healthy now, cannot long be sustained while the current account deficit is projected at $5bn. Foreign debt has risen sharply and is expected to have exceeded $60bn with the latest spate of bond issues by the government.

Turkey's public sector borrowing requirement is not huge by the standards of many European countries. Indeed, given the narrowness of the tax base, there is plenty of room for fiscal consolidation. One difficulty will be convincing the public of the case for extra taxation, while implementing a slowdown and in some cases a freeze on investment in public services and infrastructure.

On welfare, public health and education, there is a strong case for more spending rather than less. SSK, the rudimentary national health and retirement plan, is all but bankrupt, unable to pay its debts to the pharmaceutical companies. Many public infra*structure projects have come* to a standstill and contractors complain that even the government is behind in instalments on the work already completed.

President Demirel, in a strongly worded speech earlier this month, warned of the dangers if early decisions were not made on a new generation of power stations. Energy experts have projected that without substantial new investment, Turkey could face a supply shortfall as early as 1995.

All eyes are now on the municipal elections in March. In 1991, the Motherland party government tried to spend its way to the polls – unsuccessfully. Given the current growth rate, Mrs Çiller hardly needs to pump-prime the economy. Should the DYP make strong gains next spring, it will be tempted to break with the SHP and call early general elections. But unless there is a new consensus, Turkey will continue to have difficulties in addressing its mounting economic problems.

### IN THIS SURVEY



*Editorial production Gabriel Bowman*



Public sector borrowing is too high, and the balance of payments is under strain, says **John Murray Brown**

# Action needed on financing problems

The crunch is coming; on that point government and private sector economists seem agreed. The only question is when. For no one believes the fiscal profligacy currently practised can be sustained while annual inflation is nudging 70 per cent.

Recent turbulence in the foreign exchange markets suggests that traders remain unconvinced of the government's commitment to address the structural issues on the budget. Domestic interest rates also appear to be edging up, adding to the government's short-term financing problems and further delaying the recovery in private sector investment.

The root cause remains the government's failure to address the problem of its own finances, with the public sector borrowing requirement officially set to rise to 16 per cent of gross national product in 1993 against a 9 per cent target. The situation is exacerbated by the deteriorating picture on the trade account, which is putting the balance of payments under strain for the first time since the early 1980s when Turkey last rescheduled its foreign debt.

But if the impression sometimes given is that Turkey is heading towards the brink, the business community is confident that with a firm hand on the helm the situation can be turned round.

Prudent management of the reserves should give the authorities a comfortable cushion to withstand external shocks. Indeed, the long-term health of the economy is not in doubt. The historical trend of foreign investment approvals, the best indicator of confidence, continues to rise. The UK, for example, seems to be preparing for its second coming in Turkey.

The first wave of UK investment in the mid-1980s was led by Polly Peck International, the fruit-to-electronics group, run by Mr Asil Nadir, the Turkish Cypriot businessman. After the group's collapse, the Department of Trade and Industry is trusting that the next investment generation will prove more robust.

As if to underline the point, the DTI has just opened a Turkish investment office. The British Chamber of Commerce in Turkey is hosting a series of workshops in London in April in a bid to attract investment.

In the past decade, the country has come a long way. This is underlined by the recent resurgence of the Istanbul stock exchange, and the ability of the Turkish private sector to tap international debt markets. But Turkey's real problems are short-term. Every day the authorities baulk at the need for reform, the problems deepen.

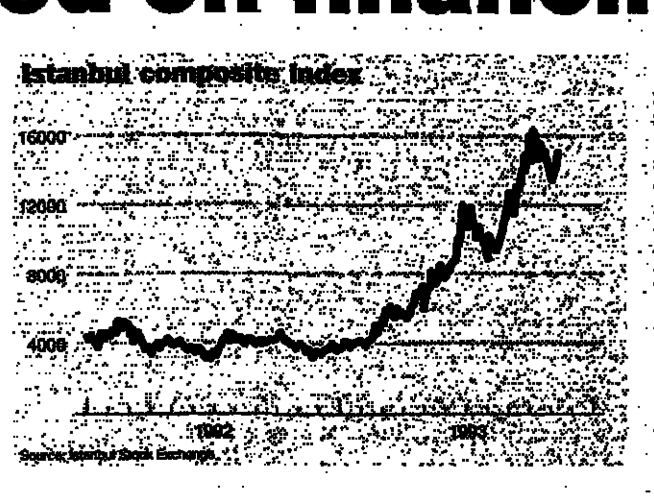
**The long-term health of the economy is not in doubt**

The policy challenge is to curb inflation while sustaining sufficient growth to create jobs for a population that is approaching 60m. It is a difficult trade-off and the task has become much harder since the liberalisation of exchange controls in the mid-1980s. Turkey's economy is now more vulnerable to policy error. For a coalition, divided on some of the basic tenets of economic policy, the balancing act is that much more perilous.

The government has made some progress in lengthening its debt maturities, through tax changes encouraging investors to hold longer-term paper, nine-month or one-year bills rather than three-month paper. The profile of Turkey's foreign debt has also improved slightly, shifting attention from the syndicated loans to bond issues.

Progress on both privatisation and tax reform has been more disappointing. Both policies have been stymied by political wrangling. The possibility that the proposed new tax law may be passed by the end of the year looks remote. Recent increases in value added tax may raise some revenues but could also encourage the already widespread problem of tax avoidance.

One area where the government has had some success is in the reform of agricultural subsidies, a continuing burden on the budget. Cotton prices have been partly deregulated. Attention has now turned to tobacco. And for the first time the subsidies are to be consolidated into the central government budget.




For all that, recent indicators suggest the policy dilemma is still unresolved. In the second quarter growth exceeded 12 per cent, as imports surged and domestic consumption continued to be fuelled by easy credit. Some economists explain the latest figures as evidence of pent-up demand held back during the period of the Gulf War. However, few believe such a performance is sustainable, without serious implications on the fiscal and monetary side.

The trade deficit by August had reached $9.4bn with imports rising to almost $19bn, much of the increase being in consumer goods. While remittances from workers overseas have remained steady, tourism – the other main invisible trade item – is down following terrorist attacks by PKK, the Kurdish Workers' Party.

The current account is expected to be in deficit to the tune of $5bn by the year-end, compared with just under $1bn in 1992. On the capital account of the balance of payments, Turkish stocks have attracted increasing foreign portfolio investment. Changes in the rules on foreign funds should hasten the trend.

However, actual direct fixed capital inflows have slowed down, partly as a result of the contraction of government project work. Companies also seem hesitant to commit themselves before Turkey's expected move to a customs union with the European Community when trade barriers will be reduced to zero and imports are likely to surge further.

To make up the shortfall on the capital account, the government this year has gone to the bond markets for $3.8bn. Turkish foreign debt – both public and private sector – is now a dizzy $59bn, up from $54bn at the start of the year.

The increase in the debt is also explained by the number of Turkish banks resorting to offshore borrowing to fund their lira loan book, a strategy which will remain attractive as long as the central bank continues its strong lira policy. There is also a growing appetite among Turkish depositors to keep their savings in foreign exchange.

The increased capital flows have strengthened the reserve position. At the end of September, total international reserves of the central bank and commercial banks stood at $18bn, equivalent to about eight months of imports.

However, the government's latest rush to the international markets was prompted more by concern over the announcement that Moody's, the US rating agency, is reviewing Turkey's credit standing. Any move to downgrade Turkey from investment to speculative category could cut off a whole of range of institutional investors, at least in US markets. It could also upset Turkey's debt strategy which has been heavily dependent on bond issues in the last two years, helping to lengthen the maturity of government and spreading the investor base.

The worst prospect is that the government could be forced to return to the syndicated loan markets. Such an outcome would produce a crowding out effect for the Turkish private sector banks. They would then be forced back to domestic borrowing, pushing up interest rates as they seek to attract depositors and move to close their foreign exchange open positions.

When she succeeded as prime minister in June, Mrs Tansu Çiller warned that 1994 would be a difficult year, with the growth rate falling to 4-5 per cent. Many governments would welcome such a prospect. but in Turkey, after a decade averaging closer to 6 per cent and in the wake of this year's likely figure of 8 per cent, the decline is hard to accept.

The new budget presented to parliament envisages a deficit of TL192,000bn. Personnel expenditures remain the largest item at TL265,000bn, while interest payment on the government's debt is projected at TL217,000bn. The budget deficit is around 8.5 per cent of GNP. However, when the losses of state enterprises, municipalities and other funds are taken into account, the PSBR is targeted to reach around 14 per cent of GNP. Many banks in Istanbul believe the figure could be closer to 20 per cent.

**Downgrading the credit standing would upset Turkey's debt strategy**

The size of the deficit, while worrying, is not itself a problem. The main issue is how to finance it. The treasury is hoping to raise around $1.5bn in privatisation revenues and to go to the international debt markets for another $1.5bn.

But given the narrowness of domestic capital markets and signs that international demand for Turkish paper may be cooling off, the temptation will be for the government to resort to monetary financing. The central bank law currently allows the government to go to the bank for up to 15 per cent of budgetary outlays. In 1994 this would result in a 50 per cent increase in broad money M2, with all that means for inflation.

Hitherto, the bank has intervened in the market, selling dollars to absorb the excess lira liquidity, in effect "sterilising" the monetary expansion. But with Turkey's external account under some strain, the bank is likely to have less room to manoeuvre.

Apparent indecision on the correct level for the lira is creating additional uncertainty. Since June, the monthly devaluation has averaged 5 per cent against the basket of currencies, compared with 3 per cent for the first half year.

The more rapid depreciation may help exporters who have been losing market share because of the overvalued lira. But as the pace of depreciation speeds up, so the lira cost of the government's foreign debt repayments rises. The competitive advantage gained by exporters is very quickly eroded by increases in inflation. Sooner rather than later, Turkey will have to break out of this vicious circle.

The balance is shifting from the public to the private sector

# Banking enjoys a shake-up

Few Turkish industries have welcomed the government's commitment to Europe quite as readily as the banks. A new decree, passed with the effect of law in September, brought Turkey into line with its European competitors in a number of important areas and marked a further deepening of the financial sector.

The confidence is readily apparent. On the Istanbul stock exchange the banks listed are among the most profitable and heavily traded stocks. For the first time a Turkish bank has floated shares internationally, with Garanti Bankasi selling $103m worth of stock through an American Depositary Receipt in November.

With growing frequency, the private sector banks are able to tap international debt markets. A whole host of banks have successfully ventured into the markets including Korfez, Turkey's most profitable bank, which raised $25m in a one-year loan arranged by Bank of New York. In November Akbank, Turkey's largest family-owned bank, was due to conclude its first-ever foreign syndication – a $100m one-year borrowing. Mr Erol Sabanci, the bank's chief executive, said that at point 85 over London Inter Bank Offered Rate, the deal underscored Akbank's standing as the best rated bank in Turkey.

The Turkish banking industry is still dominated by the state with the five state banks accounting for close to half the total assets, which at the end of 1992 were around $67bn. The largest private sector banks are run by family holdings, including Sabanci's Akbank, Cukurova's Yapi Kredi, Pamukbank and Interbank or the Dogus Holding's Garanti.

But the new law should help shift the balance in favour of the private sector. For the state banks, like others, are being forced to improve their capital ratios. With the government reluctant to inject new capital into the state banks, the only way to meet the targets is to run down their equity participations and reduce their loan book.

**For the first time a Turkish bank has floated shares internationally**

Troubled banks can be forced into liquidation, where before they were absorbed by a state bank. "It's a long overdue signal that depositors will have to take the risk of a bank into account," says Mr Ibrahim Betil of Expresbank.

In the case of a failed state bank, the government will continue to step in. Last year, the government announced that Tobank, the teachers' bank, was to be merged with the Halk Bankasi and Denizcilik Bankasi, the maritime bank, was merged with Emlak, the state housing bank.

The wholesale privatisation of the big state banks, such as Ziraat and Emlak, may be some way off. Ziraat is more like an arm of the treasury, dispensing credits to farmers and using its extensive branch network to pay civil servants and other government employees in rural areas.

But on a smaller scale, the banking operations of Sumerbank, the textile manufacturing and general retailing outfit, have been offered for sale. Similar moves have been made to allow for the disposal of the banking side of Etibank, the minerals concern.

A more promising prospect is the government's planned sale of its 12 per cent stake in Turkiye Is Bankasi, the country's largest commercial bank.

The shake-up in the state sector is mirrored by a rapid restructuring among private banks. Banks are closing branches and laying off staff while enhancing electronic banking. In less than a decade, Turkey has moved from a relative lack of sophistication to become a modern industry. But for most Turks, the plastic card is not so much an instrument of credit as a way to obtain cash.

Most transactions are still done on a cash basis. The main thrust for introducing automatic teller machines (ATMs) was "to keep the customers out of the bank," says Mr Akin Ongor of Garanti. His bank is leading the way in computerisation, with all 201 Garanti branches now using real time clearing systems.

The development of electronic banking has also forced banks to improve their credit supervision. "Today you can go to 10 different banks and get a card from each one and no one will know," says Mr Ongor. The foreign card companies like Visa are said to be concerned by the growing number of defaults.

In parallel with these moves, many banks are boosting their consumer lending business, still a fairly small share of most banks' asset books. Garanti says consumer credit currently accounts for around 4 per cent of its total loans – corporate loans making up the lion's share. But as interest margins on corporate lending have narrowed, banks are turning to consumer loans.

Garanti says it intends to increase its operations. Consumer credit is particularly attractive for the banks with links with big corporations, which can then offer customers hire purchase financing. Koc, the largest holding company, is boosting its banking services, in part to take advantage of the booming car sales and sales of consumer durables, two sectors where it has a dominant position. Akbank is developing its consumer credit facilities to finance Toyota's joint venture with its parent, Sabanci Holding.

In 1992 the government liberalised the rules on the issue of asset-backed securities. The securitisation of various debt instruments such as car and housing loans has been a popular practice in recent months, providing banks with a cheaper source of funds. By shifting the risk of default to new investors, it also reduces the onerous capital adequacy requirements set under the new law.

But the broader economic impact is potentially more dangerous. "The banks have now been given an incentive to lend to customers for consumption," says a foreign economist.

**The spread between deposits and credits keeps interest rates high**

In a related issue, in October a number of banks applied to the Capital Markets Board to be allowed to issue commercial paper. Again, like securitised loans, this is seen as a cheap funding for banks as it would not incur liquidity requirements set by the central bank.

However, under the current rules only investment banks, which are restricted from taking deposits, municipalities, corporations and state enterprises are allowed to issue commercial paper. No decision has been made to allow banks to issue commercial paper. Nonetheless, the issue has thrown into relief the tension between the need to deepen the financial markets and the perhaps more pressing concern of the banking authorities to keep a hold on money supply.

Currently for every 100 lira put on time deposit with a bank, on average 46 lira has to be held as reserve or liquidity requirements – in effect, it is a tax on the banking system.

Call deposits are a slightly cheaper way to raise funds. As a result, the intermediation costs – the spread between deposits and credits – keep interest rates high. Another result is that rates between different banks can vary as much as 15 per cent. "Nowhere in the world are interest rates quite as free as in Turkey," says Mr Erol Sabanci, disapprovingly.

Inflation continues to make it difficult to assess bank performance. IBCA, the London-based rating agency, estimates that most major banks in Turkey saw a negative return on equity in 1992.

Mrs Tansu Çiller, the prime minister, has pledged to reduce banks costs in a bid to bring down interest rates. However, there is little possibility of that while the government deficit continues to grow.

The sector has other more urgent problems. The banking authorities are watching closely the foreign exchange exposure of many private sector banks as they seek to fund their lira business by borrowing offshore. Given high real interest rates offered in lira deposits, the attractions of borrowing offshore are enormous. Garanti estimates that currently 27 per cent of its profits result from trading on its short positions.

Garanti was the most profitable of the large privately owned banks in 1992. The bank, however, remains cautious. "We have a policy that the open position should not exceed the equity of the bank," says Mr Aclan Acar, a director. "That means the shareholders take the risk, not the depositors. We've suggested to the central bank that they should make this rule applicable to all banks."

But the danger, particularly with the government indicating that it favours a more rapid depreciation of the lira, is that it could result in a massive one-way currency flow as banks seek to close on their foreign exchange positions.

John Murray Brown

Profile: ISBANK

# Party fights for Atatürk shares

Turkey's founder, Mustafa Kemal Atatürk, must be turning in his grave as politicians and bureaucrats squabble over the shares in Türkiye Iş Bankasi that were left in his will, writes **John Murray Brown**.

Atatürk's holding in the country's largest commercial bank is today the subject of a rumbling legal battle between the Turkish treasury and his old party, the People's Republican Party, (CHP).

Isbank has a unique place in the Turkish banking hierarchy. It was a pioneer in many of Turkey's key industries, a role which made it seem more like a Japanese or German bank than an institution from the Anglo-Saxon world. Isbank was a partner with Unilever, the Anglo-Dutch conglomerate, and had shares in the Cukurova power utility, which it sold at a handsome profit to the Uzan family. It is now selling many of these stakes to meet capital standards.

Isbank's curious share structure means the bank is neither state-owned nor truly in the private sector. Its largest shareholder until recently was its pension fund, with close to 40 per cent of the stock. The Treasury owned 12 per cent, while around 29 per cent represented what was known as the Atatürk shares.

But when Atatürk died, entailing his holding to the CHP, he can hardly have envisaged that all political parties would be outlawed in the wake of the military coup in 1980.

The current dispute surfaced when the ban was lifted. It was decided to revive the CHP. However, at Isbank's annual general meeting, the board ruled that the CHP was entitled not to 29 per cent, but to just 2 per cent of the bank.

The logic is that during the period of the ban, it was the presidential secretariat which had held the shares. Dividends were distributed to the Turkish Literature and History Society, another condition of Atatürk's will. However, the capital increases – a common practice in Turkey where inflation is close to 70 per cent – were met out of the treasury coffers. The CHP thus found its holding dramatically diluted.

The party, not unnaturally, is now claiming title to its original stake in full, even if it means paying for the capital contributions. It argues that, while it was banned, it was not exactly in a position to participate in the capital increases.

The CHP has some public support. And if there is some reservation over the general philosophy of privatisation, there is likely to be specific resistance to the idea of selling off Atatürk's shares in Isbank, as the government is planning.

The twist in the tail is that the government now says it plans to sell the 12 per cent it does own while the court case with the CHP continues. This would allow the pension fund to buy the shares and become the majority owners of the bank. This may prove far more of a threat to the current management of the bank than any arcane legal argument about who owns the Atatürk shares.

**Sheila Jones** on the dynamism of the country's construction sector

# How TV got Gama to Russia

As Russian troops blasted the White House building in Moscow during the anti-Yeltsin rebellion, executives at Gama Industry in Turkey watched on televison with particular interest. For they were working out how to put the building back together again.

Within days of the ending of the rebellion on October 4, Gama was on the phone to Moscow. A verbal agreement was secured on October 14, and Gama workers were on site the next day.

It is only a small contract – $17m for the first phase of repairs – but Gama, one of Turkey's leading construction and engineering groups, was keen to establish a reputation in Russia.

It is a story that illustrates the relative dynamism of Turkey's private sector. Gama is owned by its managers and other key employees, although it is considering a stock market flotation.

Gama earns much of its income from public contracts at home. It undertakes big infrastructure projects, including hydroelectric schemes, a new underground rail system and residential building. But, while the government is battling to contain costs and reduce the budget deficit, Gama is looking overseas for new work.

"Spending on infrastructure projects is our bread and butter," says Mr Ergil Ersü, Gama's managing director. "But on the other hand, Turkey has to cope with an inflation problem. To reduce inflation, this government, or any other government, needs to curb investment.

"A second point is that Turkey is borrowing – securing foreign financing to support such projects. There is a limit to this ... As much as we want to do more work in Turkey, we realise there are limits." The domestic market, according to Mr Ersü, cannot be relied on in coming years to sustain Turkey's large construction sector, which contributes about 5.5 per cent to gross domestic product.

Along with many other companies in the sector, Gama has grown steadily by tapping the overseas market. It is the second major push by Turkish contractors in recent years to bolster earnings abroad because of a tightening domestic market. Turkish construction companies produced spectacular growth overseas in the mid-1980s because of a depression in the industry at home in the early 1980s.

In the past year, contracts won overseas have pushed Gama earnings towards an even split between domestic and foreign work. Turnover more than doubled last year to $97.8m, producing pre-tax profits of $7.82m against $3.97m in 1991. It currently has $500m contracts in progress, and says it is close to concluding a further $500m. Contracts secured in the past two to three years have averaged about $200m.

Gama has targeted Russia and other countries in the Commonwealth of Independent States for expansion. It believes that, despite the uncertainties, there are vast opportunities in Russia's wide-open market. "No matter what, even if governments change, there will be a need for our services," says Mr Ersü.

The company, which employs on average around 5,000 contract workers, has operated in eastern Europe since 1985 in a joint venture with four other Turkish contractors. Last year, Gama pulled out of the Mir Construction partnership to build up its work as a single operator. As a result, nearly half of its new business volume last year came from Russia.

Gama recently completed a 650-room luxury hotel in Sochi on the Black Sea coast, in which the company retains a 16.6 per cent interest. The $35m hotel, which is due to take its first guests by the end of the year, is operated by Radisson, the US hotels group. The contract did not produce a huge profit for Gama, but like the White House deal, it was important in terms of visibility.

**Gama earns much of its income from public contracts at home. But while the government is battling to contain costs and reduce the budget deficit, Gama is looking overseas for new work**

"We see the hotel as our show case in Russia," says Mr Ersü. "It has the best of everything – carpets from the UK, wallpaper from Belgium, kitchens from Sweden, marble from Turkey."

Gama's investment in the hotel represents a further strand of diversification. It is shifting away from construction into property, mining and tourism. Construction is still the core business, but, says Mr Ersü, "there are ups and downs in contracting work, so we are investing in a way that will provide more constant returns and improve overall cash flow."

Other big contracts in Russia include a $78m complex in Moscow for Gazprom, Russia's gas distribution company. Work began in April on its 36-storey headquarters, due to be completed by mid-1995. The company is also building a $12.5m hotel and offices in Tyumen, western Siberia, to service the oil and gas industry.

It recently completed work with Babcock and Wilcox International of Canada on a $100m heat-waste project in Bratsk, east of Lake Baikal. The project, for which Gama won $35m of the work, was to convert heat generated at a pulp and paper mill into energy.

Gama's push in eastern Europe could underpin growth for the company in coming decades. Earlier this month, Turkmenistan signed a letter of intent with a US-Turkish consortium, including Gama, that could lead to the construction of a $4bn natural gas pipeline across Europe. A feasibility study on the project is under way.

The company has secured small contracts in Turkmenistan, including a $10m scheme for a mosque, financed by a Turkish government grant. But it believes that opportunities are limited in other Turkic states, which it says would be hard-pressed at the moment to secure western financing.

Gama is established in the Middle East, particularly in Saudi Arabia, although it has secured fewer contracts in the region recently than it had hoped. Elsewhere, the company signed a $50m contract last month to build a cement plant in Malaysia in partnership with Krupp of Germany.

Several high profile contracts are under way at home. Work began in March on the first phase of Ankara's underground metro rail system. Gama has secured a $260m contract shared with Guris of Turkey to build a 15km line and station from the city centre to the west, due to open by the end of 1996 or early 1997. Other companies in the project include Bombardier and SNC Engineering of Canada.

One of Gama's biggest contracts to date is for a 672MW hydroelectric power dam on the Euphrates river at Birecik close to the Syrian border. Gama and Philipp Holzmann are leading a European consortium on the DM2bn contract, which was signed nearly a year ago. Gama says it hopes financing arrangements will be finalised soon.

The project is a build, operate and transfer (BOT) scheme, under which the consortium of Turkish, German, Belgian, French and Austrian contractors build and operate the dam and then transfer it to the government under a 15-year contract. Gama has a 19.4 per cent stake, Philipp Holzmann 16.4 per cent, TEK, Turkey's state electricity company, has 30 per cent, and the other three companies hold smaller stakes. The financing package will be in export credits and commercial loans. The dam, which will take more than five years to build, is part of Turkey's south-east Anatolian project to provide irrigation and power in the poor and arid south-east.

Gama has linked up with Thames Water of the UK on a $700m water supply scheme for the city of Izmit, east of Istanbul. The plant was to have been financed by government money, but it was converted to a BOT scheme when the budget allocation was cut. Financing, which is still to be finalised, will now come from export credits, commercial loans and direct investment by the partners.

Gama will construct the dam and pipelines. The water treatment plant will be built jointly with Thames Water, the majority owner, which will operate the plant. The project is underpinned by government guarantees to buy the water and energy.

For the moment, Gama will continue to look east, towards Asia and the CIS, for future growth. It believes that while Ankara's politicians look west, to membership of the European Union, it will be some time before Turkish industry as a whole will be able to compete effectively in western European markets.

■ THE STOCK EXCHANGE

# The market moves ahead

In a small alley off Istanbul's dockside, young share traders stream through the doors of a tattered building each morning and head for the trading floor, writes Sheila Jones.

They work shoulder to shoulder, ducking past each other to buy and sell shares in the 156 companies quoted on the Istanbul Stock Exchange.

Conditions are cramped in the market's temporary home. Yet the Istanbul exchange has produced the best performance among the world's emerging markets so far this year. Istanbul's 60-share composite index has scaled new heights this month. It has climbed from 4,000 at the start of the year to around 16,500 today.

The Istanbul Stock Exchange, a baby among emerging markets, is growing up. Ten days ago, the Istanbul market joined the 21 exchanges around the world granted "designated offshore securities market" status by the US Securities and Exchange Commission. This means the procedure for companies seeking listings overseas can be simplified, in recognition of the market's own regulatory system.

Daily volumes on the exchange have tripled since 1991 to average $75m this year, with 120m shares changing hands each day. Foreign investors now account for 25 per cent of total volume. Market capitalisation, which had reached just over $2.2bn by the end of the first-half this year, is now estimated by the Stock Exchange to be close to $3bn, helped by sales of shares in companies being privatised.

Like many emerging markets, the Istanbul exchange has been fuelled by foreign interest in countries enjoying stronger economic growth rates than in the developed economies. And while Turkey is grappling with a huge budget deficit and inflation of around 65 per cent, the corporate sector is producing healthy profits.

"There's no real connection between the macro side and the performance of companies, which are continuing to do well into the third quarter this year," says one London broker. "Economic growth is up 12 per cent in the second quarter and up more than 9 per cent year on year. Annual growth will be at least 7-7.5 per cent, so companies are thriving."

The market is due to switch to computerised trading on December 3 with 50 less active shares and the whole market should be screen-based within 12 months.

Mr Yaman Törüner, chairman of the Istanbul exchange, believes the switch to an automated trading system will lift volumes substantially. "We can double volume within a year," he says.

The exchange has been further stimulated this year by legislation introducing substantial tax incentives for mutual funds with 25 per cent of shares in Istanbul-quoted companies. This has attracted more investment from the institutions.

"Since January, the market has moved ahead mainly because of encouragement for institutional investors, and improvements in legal procedures," says Mr Ozkan Gökdemir, of Çarşi Securities in Istanbul. "Many shares were undervalued with price/earnings ratios of under 10. So the market was cheap."

Mr Korhan Kurdoglu, of Ata Securities, also believes Istanbul shares are undervalued. He adds that company procedures could be further improved to encourage investment in the market.

"Accounting and reporting procedures could be improved, and so could the control of insider trading although there is no system that works 100 per cent."

The market's bull run has continued this month, helped by an easing in interest rate policy and by the government's pledge to press on with privatisation. Brokers say the market is eager for new issues and ready to take whatever the government can get to the market in coming years.

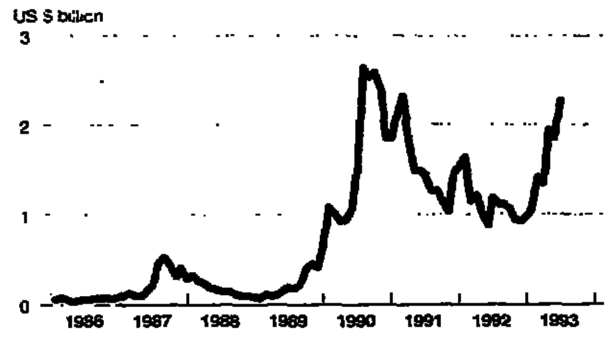
While some brokers fear the market has reached the top and might be vulnerable to profit-takers, many believe it is heading yet higher.

"There has been a tremendous run this year with the index rising fourfold," says Mr Emre Yigit, of Global Securities in Istanbul. "At these levels the majority of shares are fairly valued and the prospect of a significant run-up in prices is not that bright. But a number of stocks are undervalued and there are still bargains."

Mr Yigit believes the fundamental health of corporate earnings could underpin the market for some time. "The corporate situation is good – some companies are regularly clocking up earnings growth of 20 per cent," he says. "And in the long run, inflation can be brought down – the causes are not insurmountable ... people will continue to invest in Turkey."

Mr Atilla Yeşilada, of Karon Securities, shares a belief in the market's long-term strength, but he is cautious about the market's immediate direction. "My gut feeling is that it has to go down, though I don't see it going below 12,000. But long-term prospects are tremendous ... corporate sector earnings are robust and the economy's growth rates are unbelievable."

**Market capitalisation: Istanbul Stock Exchange**



Source: Istanbul Stock Exchange

The exchange is due to move to its new Istinye premises in the business district of Istanbul in April next year. By then, trading should be fully automated and perhaps operating on higher volumes than ever before.

Its direction depends in part on the outcome of municipal elections next March, and whether or not Mrs Tansu Çiller, the prime minister, can strengthen her position, and push through privatisation and radical restructuring of industry.

It is likely the stock market will look to the corporate sector for direction in the meantime. And it will watch the progress of its footballers. On November 4, the Istanbul index jumped 500 points the day after Galatasaray knocked Manchester United out of the European Cup. Like stock markets the world over, the Istanbul exchange enjoys a bit of good news.

**John Murray Brown says businesses are worried as the customs union deadline approaches**

# Industry prepares to lobby on tariff cuts

**In Turkey, Euro-sceptics were once a rare breed. Not any longer, it seems. With the government preparing to cross the the historic threshold and enter a customs union with the European Union in 1995, many Turkish businesses are awaking to the fact that Turkey's trade policy will very soon be determined by the grey men in Brussels.**

Europe is vital to the Turkish economy. The EU already accounts for 50 per cent of Turkey's exports. In turn, Turkey takes close to 40 per cent of its imported goods from the EU. Total trade between Turkey and the EU is expected to exceed $20bn in 1993. The EU accounts for more than half of Turkey's total foreign investment.

Under the terms of the additional protocol of the 1963 Ankara Association Agreement with the EU, Turkey will reduce its high tariff wall. That is expected to result in increased capital flows to Turkey. The broader impact is that competition from EU imports will encourage greater efficiencies and force companies to upgrade their technologies. Turkey will also be required to introduce legislation to harmonise Turkish trade and commercial policies with the EU countries.

In parallel with the customs union negotiations, convergence in services is proceeding apace. Under a new law, the banking industry recently saw changes in capital ratios which bring it more in line with European standards. One of the remaining restrictions on foreign banks is a requirement that paid-up capital is converted into Turkish lira. Foreign banks are thus required repeatedly to inject new capital, as inflation takes its toll. New rules have been recently introduced for the insurance sector.

The two sides have also outlined a raft of legislative changes which should be in place to complement the customs union. The issues cover intellectual property rights, state aid and competition policy. This might seem like a heavy workload for Turkish legislators, given the current snail's pace with which bills secure passage through parliament.

> The legislative changes might be a heavy workload, given the snail's pace of bills through parliament

However, officials point out that should there be an agreement of the Uruguay Round of the General Agreement on Tariffs and Trade, Turkey would have to comply with many of these pieces of legislation to meet its Gatt obligations.

Commission officials make clear that the implementation of a customs union is a technical exercise which does not require any further treaty negotiations. It does not even have to be ratified by the European parliament. To meet the deadline, Turkey will have to reduce tariffs and non-tariff barriers to zero, while adopting the EU's common commercial tariff for third countries.

Turkey would, in addition, be required to assume the EU's preferential trade policies and defensive measures such as anti-dumping towards third countries. This would apply to the voluntary restraints with Japanese car imports, as well as preferential trade arrangements with the Maghreb and other Middle East countries including Israel and Jordan.

Customs union will have a sectoral impact on Turkish industry, as well as budgetary ramifications for the government. On the budgetary side, the government calculates the loss of import duties at about $3bn, including the scrapping of the Mass Housing Fund, now levied on a range of luxury goods imports. This figure would be offset by an increase in import volumes which would add an estimated $1.5bn to $2bn to Turkey's already large trade deficit. The EU is now understood to be considering ways to provide the Turks with some form of financial assistance, which avoids being blocked by the use of the Greek veto.

For many Turkish industries, the tariff cuts represent a considerable loss of protection. Today, according to EU calculations, the average protection rates for a sample of 501 industrial products are still around 15 per cent, despite a reduction of 6 per cent at the start of 1993. The Treasury is now compiling the details of the import regime for 1994. "There will have to be a strong signal that the government is going ahead with customs union," said one European Commission official.

The Commission's concern is that some powerful industries are preparing to lobby to see protection retained beyond the deadline. The sectors – motor vehicles, white goods and packaged foods – are seen as particularly vulnerable. Commission officials are adamant that this would be in contravention of a customs union. They also warn that some member states may use this as a pretext to retain the current quotas on Turkish textile imports to the Community.

With around $5bn of exports in 1992, the textiles industry is Turkey's largest exporter, accounting for 36 per cent of the country's total export earnings. Turkey is already the biggest supplier to the EU despite the quotas, accounting for 10 per cent of EU textile imports. The removal of quotas would provide a welcome boost to the industry.

> Removal of European quotas will suit the textile industry, but the car sector faces a blast of competition

The motor vehicle sector, on the other hand, is bracing itself for an cold blast of competition. The industry is dominated by the local operations of Fiat of Italy and Renault of France. Local producers currently enjoy very high protection. On passenger vehicles less than 2,000cc, import taxes are charged at 39 per cent.

The car sector is now rushing to reinvest in new lines, and introduce new models to compete against imports. The threat to market share is not so much from EU manufacturers, who already account for the top end of the market. The main concern is over increased shipments of Skodas and Ladas from eastern Europe, once Turkey adopts the EU's common external tariff of 10 per cent. Car imports are already growing at 80 per cent, compared with an increase in domestic production of around 25 per cent.

Foreign investors, too, are expected to have to rethink their strategies in Turkey. For foreign companies already manufacturing in Turkey, it will make sense to source more of their industrial inputs to EC countries. Philip Morris, the US cigarette producer, going one step further, now argues it will be cheaper to import finished products from one of its EC subsidiaries than manufacture at the newly installed $400m investment near Izmir.

The broader impact is that Turkey will no longer be attractive for companies seeking to get behind high tariff barriers. The trend will be to sectors where Turkish production offers cost-competitiveness, economies of scale and suitable levels of technology. One area that is now attracting interest is the food processing and food retail and distribution sectors.

The Black Sea summit of 1992: participants included Georgia's Eduard Shevardnadze (third from left), Russia's Boris Yeltsin (fifth from left) and Turkey's Suleyman Demirel (fifth from right)

## ■ BLACK SEA ECONOMIC CO-OPERATION

# All trading together

"We've decided to drop the p for project and the z for zone," said the Turkish foreign ministry official, trying to explain why there seemed to be a word missing from the title of the newly formed Black Sea Economic Co-operation.

Agreeing a name will probably turn out to be one of the easier tasks, as officials try to jump-start this fledgling trading body of 325m consumers which Turkey initiated in the wake of the collapse of the Soviet Union.

Today, more than a year after its fanfare inauguration, the world's youngest trading organisation is making steady, if slow, progress. It now boasts a secretariat housed in the grounds of the Dolmabahçe Palace in Istanbul. The building was originally used by the sultans to shelter during the earthquakes that periodically shake the city.

Not an inappropriate choice of site, some might say. For the thrust of the BSEC may be economic and commercial, but as Georgian president Eduard Shevardnadze once warned, the idea could be "still-born" unless the region's various political disputes are resolved.

"It's an achievement every time they meet together," says a western official in Ankara. At the first – and so far only – BSEC summit in June 1992, the real prize should have gone to the official who arranged the seating. After all, as many as seven of the 11 members were in open dispute with each other – Romania and Moldova over the Dnieper; Ukraine and Russia at loggerheads over the future of the Black Sea Fleet; Russia and Georgia over Abkhazia and perhaps the biggest obstacle to regional peace the ongoing conflict in Nagorno Karabakh, between Azerbaijan and Armenia.

The idea, though, is a laudable one – to help boost trade ties between the region's market economies and the former Comecon bloc. As Mr Ercan Ozer of the Turkish foreign ministry puts it: "The driving force, the locomotive, is to be the private sector. You shouldn't put a label on the BSEC. It is *sui generis*."

And what progress there has been is largely the result of the energy and vision of Turkey which is footing the bill, at a time when its own budget is under strain.

The BSEC today comprises Turkey, Russia, Bulgaria, Romania, Moldova, Ukraine, Georgia, Armenia, Azerbaijan with latecomers Albania and Greece. Officials say the club is open to new applicants. Poland has observer status and Belarus is considering a similar move. But joining is the easy part. Achieving concrete results is more difficult.

Organisationally, the work load is split between an international secretariat representing national governments and a parliamentary assembly to agree the implementation of legislative changes needed to underpin trade relations.

For Turkish officials, some of the teething problems should have been easier to predict than others. The parliamentary assembly, for example, was meant to comprise 70 members; however both Greece and Bulgaria currently choose not to participate. Finding the staff to run the secretariat has been bedevilled by other, more unusual, coincidences. As one official explains: "We did in fact appoint a Russian in charge of financial affairs. But after recent events in Moscow, we have no idea of his fate."

> About the only fact on which officials agree is that trade with the rest of the world is falling

The objective is to improve on the current negligible trade volumes within the region, and co-ordinate policy in such areas as telecommunications, energy and port and road infrastructure development. A separate agreement has been made by Black Sea states to address the environmental issues.

The region's industries, within the communist bloc, were typically organised so as to be dependent on Moscow. Today they need to reforge those links. However, this time relations will be based on mutual agreement and benefit. The long-term hope is that these economies, while competing with each other, may find new areas of co-operation.

Turkey's trade relations with the region have had a scatter-gun quality since the Soviet break-up, but the trend is improving. In the first half of 1993, imports from the former Soviet republics more than doubled to $1bn while exports increased 60 per cent over the same period in 1992 – Russia and Azerbaijan accounting for the largest share.

Other areas have produced immediate dividends. In Romania, Turkey now has some 3,000 registered companies in Bucharest. Turkish beer is now being bottled in Romania. Coca-Cola's Turkish bottling operation is supplying the Romanian market. Turkish bakers are said to have a virtual monopoly of bread production in the Romanian capital.

Groups such as Penta say counter-trade or barter is an indispensable part of a trader's armoury. To help oil the wheels, some Turkish businesses have sought out partnerships with international counter-trade firms.

However, the markets are difficult. Interbank, a small privately owned Istanbul bank, joined up with the Finnish concern Kaukomarkkinat, hoping to take advantage of its partner's knowledge of trading with the Comecon countries. However, today their joint venture has been liquidated. And as Mr Melih Araz, the head of Interbank, says: "When you *get into a dispute on every* shipment, why do it?"

But Mr Ozer of the foreign ministry has a different perspective. "You're not dealing here with Africa. Remember all these countries have some basic industry and an educated manpower."

In the short term BSEC officials believe the best they can hope to achieve is to address businessmen's day-to-day problems, such as visas, and legal questions such as protection of investment and the implementation of double taxation codes.

Institutionally, there is an urgent need to compile a statistical base. About the only fact on which officials currently agree is that the BSEC's trade with the rest of the world is falling.

Where governments can also play a part to further business activity is in such areas as telecommunications. A fibre optic sub-sea cable is to link Istanbul with Varna, Costanza and Moldova. Turkey's Eximbank is expected to provide financial support. Already officials claim that 40 per cent of the cable traffic has been pre-sold. Separately, agreement has been reached for a $60m cable, running from Russia and the Ukraine through the Black Sea and eventually to Italy.

The idea has even been mooted to extend the cable to Israel, to facilitate contacts between Israel and Jewish immigrants still in Russia. Georgia, Azerbaijan and Turkey have a fibre optic and radio telephone link. The launch of Turkey's Turksat satellite next January will allow further collaborations.

In the transport sector too, the BSEC is considering a Greek suggestion to create a corridor connecting all the littoral cities of the Black Sea. Officials say Greece is keen to use its experience in port construction. Romania has also proposed a scheme to upgrade Turkey's Samsun harbour so that freight arriving in the Black Sea via the Danube could be loaded onto trains to reach the Mediterranean across Turkey rather than add to congestion in the Bosporus.

Next month, the organisation faces perhaps its biggest test when foreign ministers of the 11 member states meet in Sofia to finalise the launch of a trade and development bank. According a draft of the memorandum to be agreed, the bank is being set up to "finance and promote regional projects .. and to assist in encouraging intra-regional trade especially in capital goods."

All member countries have agreed their contributions to the bank's capital structure, although this is not to say they have yet committed the funds. The main sticking point is likely to be the site. Istanbul, Sofia, Bucharest, Costanza and Thessalonika are all bidding to host the bank headquarters.

**John Murray Brown**

## Profile: CEM UZAN

# First of the raiders

The black leather furniture and the abstract canvas are the props of tycoons all over the world. Only the insistent drone of the nearby mosque reminds one that this is old Istanbul, not Milan or Manhattan.

The office is that of Mr Cem Uzan, 32, who is Turkey's youngest and brashest businessman, and the country's first corporate raider.

Rumeli Holding, the family's flagship company, today boasts assets worth up to $1bn, after a programme of acquisitions which has taken the business scene by storm. In less than a year, the company has staked a claim to a place among Turkey's top five groups.

Rumeli was active in the early 1980s in building infrastructure for the Libyan oil industry. The family then acquired two small banks – Adabank and Imarbank. With Mr Uzan's return from university in the US, the group ventured into television, exploiting the technology which allowed it to beam in from Germany, thus sidestepping the constitutional ban on private stations.

InterStar was Turkey's first private TV station and now has close to 25 per cent of the sector's advertising revenues.

This year, the Uzans embarked on a spending spree, forking out close to $500m worth in asset purchases. The government's bid to speed up its privatisation programme provided the richest pickings, the group concentrating on sectors which are least affected by the threat of import competition as Turkey moves to a customs union with the European Union.

The Uzans bought five state cement factories, in the process outbidding a number of foreign cement concerns.

The acquisition of power utilities in Adana and Antalya has given the group a strong presence in the sector ahead of government plans to privatise TEK, the electricity monopoly.

The company is now trying to position itself in telecommunications with moves to set up with Alcatel of France on Turkey's GSM system, the pan-European digital standard which will allow countries across Europe to use the same cellular system. With this link-up, Rumeli is well placed for eventual flotation of the telecom arm of PTT, the state post and telephone monopoly.

Mr Uzan likes to put a diplomatic gloss on his swashbuckling business style. "As long as there are mutual benefits, there are alliances. If there are benefits that collide, then there's competition," he says.

On other areas, he is less forthcoming. "As a private holding company, we don't publish financial figures. But there is no external borrowing on the series of transactions... It's all being internally financed."

His business methods have not always been transparent. When a Turkish business magazine carried a cover story on the family, Mr Uzan had the entire staff sacked. The story alleged that in 1990 the group orchestrated a run on Imarbank, so as to avoid paying interest on time deposits. The bank had been offering the best rates in the market. Whatever the truth, it was a brilliantly executed exercise. Depositors withdrew their savings and then, seeing how the bank had managed the crisis, piled back in. Imar Bankasi is now one of the best capitalised of the private banks.

Mr Uzan's battles continue. Star is engaged in a war of words – and ratings – with Show, its main rival. Show's owner, the banker, Mr Erol Aksoy, has been labelled a "son of a Greek" – and in Turkey, that rates as an insult.

If that was not enough for Mr Uzan's lawyers, the group also has ongoing court actions against Mr Asil Nadir, the Turkish Cypriot businessman, and Mr Ahmet Ozal, son of the former president, not to mention with Cumhuriyet, Turkey's only serious newspaper.

Mr Nadir says he still owns the land on which Media Print, a business he sold to the Uzans, is located. Gunaydin, Mr Nadir's former newspaper, sought court bankruptcy from its creditors, creating a new title under which it now prints. Cumhuriyet took similar action. Both newspapers owe money to the Uzan banks.

The takeover of the privatised Cukurova electricity utility proved even more controversial. The Uzans paid over $80m for an 11.25 per cent stake in the Adana-based utility, then solicited shareholders' proxy voting rights to gain control in a move criticised by the Capital Markets Board, the government's watchdog agent. Finally, there was a series of tense negotiations with members of the Sabanci family. Through Akbank, Sabanci owned 5 per cent of the Cukurova stock. "They tested us, we tested them. It was all in a civilised manner. There is no big room for bitterness in business. When you grow, I think it's inevitable you tread on people's toes," says Mr Uzan."

So rapid a diversification of interests might be a cause of concern, but Mr Uzam points out: "All the acquisitions represent monopolies. There is practically no competition now and none in the foreseeable future. In terms of profits, we don't like competition."

**John Murray Brown**

Sheila Jones explains why privatisation has limped to a halt

# Mrs Çiller stubs her toe

Like a clapped-out car, Turkey's privatisation programme appears finally to have limped to a halt. The process of state sell-offs was set in motion nearly 10 years ago, but it never really picked up speed.

Turkey has raised only $1.7bn in state sales since Turgut Ozal announced plans to liberalise the economy in the early 1980s. But privatisation has faced formidable opposition, from the bureaucrats and politicians with vested interests, to the unions and Social Democrats (now the junior partner in the coalition government) fearing thousands of lay-offs across Turkish industry.

The election in June of Mrs Tansu Çiller held out new promise. In a move to speed up privatisation, Mrs Çiller pledged to raise as much in one year as the programme had raised in the past decade. Seen as a moderniser and radical economic reformer, the new prime minister seemed to have enough support and enthusiasm to pull it off. More important, the need for revenues had become urgent.

Mrs Çiller promised to sell Turkey's biggest state companies, including telecommunications, electricity, oil and the motor and steel industries. The revenues, which the government still says will reach $1.7bn this year, are needed to ease the burden of the loss-making state sector, to reduce the budget deficit and to dampen down inflation. It is more an economic imperative than a political crusade.

Turkey's 34 state-run industries are expected to lose around $3bn this year. They employ 600,000 people in more than 400 affiliates. Economists estimate that around 60,000 jobs will have to go across state industry if it is to become efficient.

So far this year, $350m has been raised through block sales, public offerings and flotations on the Istanbul Stock Exchange. But the government has no chance of reaching its 1993 target. Last month, Mrs Çiller's decree enabling the sale of PTT, the national telecommunications company and jewel in the state crown, was ruled unconstitutional.

The sale, of up to 49 per cent of the company, was expected to raise between $2bn and $4bn. The constitutional court in Ankara ruled the sale should have been put to parliament. A lower court then overturned Mrs Çiller's proposals to restructure PTT in preparation for sale. The rulings have thrown the whole programme into doubt.

"Telecoms was the big test case and Mrs Çiller failed," says one western observer. "Not only is there no chance of selling PTT for at least a year, but the government cannot even restructure the company. The ruling means all major projects must be halted, there can be no investment, no transfer of debt, nothing that was part of the move towards privatisation. Mrs Çiller has stubbed her toe on PTT."

Some economic analysts have questioned the wisdom of Mrs Çiller's heading straight for the big companies: PTT, TEK, the national electricity company, and Petrol Ofisi, Turkey's largest petrol retailer. They argue the government should hold on to the profit-makers to secure revenues over the long term and to reduce the burden on the state by closing the many loss-makers that are too hopeless to be rehabilitated.

> "Selling winners is not a smart move. Mrs Çiller should cut bureaucracy and impose a wage freeze"

"Selling the winners is not a smart move," says one economist in Ankara. "It provides a one-shot input of capital and doesn't cut the overall burden. Mrs Çiller should start by cutting the bureaucracies and imposing a wage freeze."

Yet the criticisms and recent setbacks appear to be forcing a change of tack. Mrs Çiller is pressing on with other sales and putting energy into a campaign to answer her critics. Two weeks ago, the government's trade and industry committee passed a further decree, despite the recent court rulings, empowering the energy ministry to sell TEK. The company is another of the government's showcase sales and potentially among its biggest revenue earners. Parliamentary deputies, who sought the ruling on PTT, are now said to be preparing their case against the restructuring and sale of TEK.

Mrs Çiller has responded to criticism from the left by promising to use privatisation funds for job creation and redundancy payments. The priority now is to close loss-makers and to make provisions for unemployment with job creation programmes and special welfare provision. Revenues from privatisation "are earmarked for industrialisation incentives and job creation," government officials said two weeks ago.

Sales this year have enabled several foreign companies to build controlling stakes in Turkish subsidiaries, and to position themselves in the market for the larger sales. Northern Telecom of Canada paid $27.8m for a further 20 per cent in Netaş the telephone and switch manufacturer, taking its holding to 51 per cent. Alcatel of France built its share of Teletas, the second biggest telecoms group, to 65 per cent, buying 18 per cent of the company for $21m.

Other stakes up for sale and attracting foreign interest include Tofaş, the Fiat car assembly subsidiary. The government has decided to sell its 21.1 per cent stake and its 18.5 per cent in the company's distributing arm, Tofaş Oto, in an initial public offering on international markets, along with private placements in the US and Europe.

Private domestic companies have bought up state competitors. Earlier this year, Rumeli Cement bought out three state cement makers for a total of $135m, and Ercimsan paid $31m for another small cement company. Rumeli's sister company, Rumeli Electric paid $114m for minority holdings in two electricity utilities.

Such sales are small beer against the larger sell-offs stalled by the constitutional court. There are many companies still to come to market. Among the large companies planned for sale in the next few years are Petkim, the petrochemicals company, which the government says needs substantial investment, and the Turban hotel chain, which operates a tourist agency, four marinas, and 19 hotels and holiday villas.

Such companies might well be an enticing prospect for an overseas investor, and the need for foreign money might yet strengthen Mrs Çiller's hand.

Much will depend on municipal elections in March, and the prime minister's future relationship with the Social Democrats, on whom she is relying to mediate with the unions.

Mrs Çiller has won few friends in her attempts to sell Turkey so far. She is accused of naivety, even arrogance, in trying to push sales through in the face of an entrenched bureaucracy and wider opposition.

As one western diplomat says: "Whichever way she does it, she'll get political flak: from the unions, from her coalition partners, from the courts. It's impossible to make rational policies in such circumstances. Mrs Çiller is up against bureaucratic gridlock and parliamentary constipation."

■ THE PETROL MARKET

# Jostling for the best spots

Look out towards the Bosporus from Istanbul's western hillside, along the roads winding down to the coast, and you will see some familiar brand names. Turkey's retail petrol operators are jostling with the oil majors, including Shell, Mobil and BP, for the best spot in a fast-growing market.

The multinationals and a handful of smaller operators have dotted the country with retail outlets, taking on Petrol Ofisi, the state-owned fuel distribution company, for market share. Competition is fierce.

"It is typical of the state of the market in western Europe 30 years ago," says one industry observer. "In some areas, you'll see five or six petrol stations on one spot, and some will be the same company. The strategy is simple. The big operators want to build presence."

By concentrating in urban areas, the multinationals have dented Ofisi's share of sales. Between 1991 and 1992, the company lost an estimated 17 per cent to the oil majors in the cities, including Istanbul, Ankara and Izmir. The trend is continuing, although Ofisi is trying to fight back by modernising and by shifting focus to the busy urban market.

Petrol Ofisi's share of total sales has dropped from 62 per cent in 1988 to just under 50 per cent today, according to industry estimates. Shell, Mobil, BP, and Turkpetrol – a joint venture including Burmah Castrol of the UK – have just over 44 per cent of sales between them, with the rest split between a handful of relative newcomers, including Total and Elf. Shell leads the foreign operators with about 13.7 per cent; Mobil has about 12.6 per cent, Turkpetrol has 9.8 per cent, and BP 8 per cent. Total, which entered the market in 1991, has built a 3.5 per cent share.

Petrol Ofisi argues that it has recently recouped sales, although it runs more low-volume, low-income petrol stations than the multinationals, which have closed such outlets in favour of the more lucrative city sites.

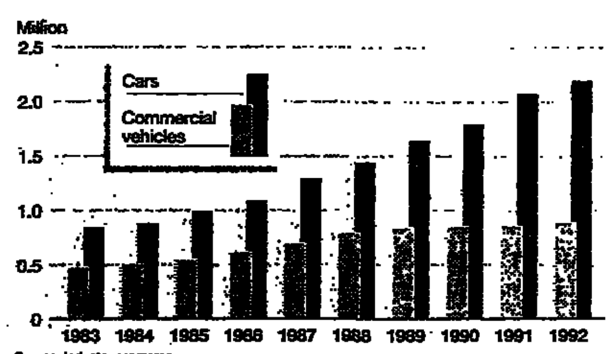
The cities produce the bulk of the sector's income. Istanbul alone accounts for about 40 per cent of the car-owning population, and is expected to produce market growth rates of at least 5 per cent annually in coming years.

The number of cars and trucks on Turkey's roads has more than doubled in the past 10 years from 1.35m in 1983 to more than 3m today. The demand for cars is growing faster than for trucks, fuelled by rising household incomes and a growing population. Total petroleum product sales, including transport fuel, lubricants and heavy fuel oils, rose 3 per cent to 16.8m tonnes last year, of which about 10m tonnes were sold at the petrol pumps.

Growth in the number of retail outlets – about 7,000 – has slowed in recent years. The oil majors are now waiting to pounce on Petrol Ofisi's network of 4,300 outlets when the company is privatised. The sale was expected to take place in the next year, though the timing is now unclear because of recent setbacks in the government's privatisation programme.

Petrol Ofisi dominates in rural areas, and it still has a large share of sales in the cities. In addition to its general sales, the company supplies fuels and lubricants to the police, military and the public transport system. Last year, Ofisi made pre-tax profits of $100m, well below its potential, according to industry analysts,

**Cars/commercial vehicles**



Source: Industry estimates

and little more than the rate of inflation. Turnover rose 61 per cent to $2bn and sales so far this year are up by about the same amount.

The government, which wants to attract foreign investment, plans to sell at least 15 per cent of the company, possibly selling a strategic stake to a single buyer. Industry analysts say the nature of the sector militates against the sale of only a small portion of the government's 96.1 per cent holding, partly because it would leave control with the government, but also because the best of the company could be sold at the outset: "Any buyer would want the best of the network, and once that has gone, what is there left to sell?"

A foreign buyer would want to restructure, closing thousands of low-volume outlets, laying off workers and operating at international prices. All three issues are politically sensitive for the government, which may want to retain a controlling stake.

Petrol Ofisi employs more than 7,000 people. "I don't know where they all are or what they are doing," says one industry observer. "Virtually all the company's retail outlets are run as dealerships, so they aren't there. Staff could be cut by more than half and it would be much more efficient."

Mr Mustafa Korel Aytaç, Ofisi's general manager, says that the company would like to cut staff to around 5,000. But it is a slow process, and while staff numbers have dropped from 8,133 in 1990 to 7,144 this year, the company's wage bill is still rising faster than inflation.

Another factor in privatisation is whether or not the government sells Ofisi in a package with Tüpraş, the loss-making refining company which has about 65 per cent of the refining market.

Mobil suggests a package sale could be attractive in a fully-liberalised market, with Tüpraş split into geographical sections, each containing a refinery integrated with marketing facilities. A company such as BP, which is more focused on retailing, would probably prefer Petrol Ofisi on its own. The company is less capital intensive than Tüpraş, and virtually ready to take over. Any buyer, though, would need to secure access to refining if Ofisi was sold alone. Some of the multinationals' refining needs are met by the Ataş refinery in Mersin, operated by Mobil, Shell, BP and Turkpetrol. Ataş refines about 15 per cent of the market.

But for the multinationals, the central point is whether or not the market is fully liberalised. They complain that the contest is uneven because pump prices are kept artificially low. The government, keen to control inflation, has restricted the price at which petrol leaves the refinery. Even when crude prices are rising on world markets, Tüpraş has not been allowed to raise ex-refinery rates. This enables Petrol Ofisi to discount at the pumps; the multinationals have to match the price cut or risk losing share.

The problem is compounded by the structure of pump prices. The state takes 65 per cent in levies and taxes and 24 per cent currently goes to the refiner. This leaves the multinationals tiny room for manoeuvre, particularly when world crude prices are rising. They say Tüpraş cushions Petrol Ofisi when prices rise, and that it absorbs some state levies.

Thus, discounting at the pumps eats directly into the multinationals' margins. Some operators say their margins could be increased by 0.2 per cent a day if there were no price controls.

Petrol in Turkey is the cheapest in Europe, according to industry analysts. Premium sells at around 65 cents a litre. Diesel, which accounts for 65 per cent of the retail market, sells at around 43.5 cents a litre. Unleaded, at 64.5 cents, takes barely 1 per cent of sales.

With economic growth estimated at between 5 and 10 per cent annually in the next few years, Turkey's petrol market has the highest growth potential in Europe, according to industry analysts, but the market has to change. "Profit margins are still substantially lower than in western Europe, but that will change as the market is deregulated. It won't produce a pot of gold, but there is great potential."

**Sheila Jones**

■ THE FOOD INDUSTRY

# Foreigners move in

It was 40 years ago that the first locally manufactured food products of Unilever, the Anglo-Dutch conglomerate, were offered to the Turkish housewife. Today the foods sector is again attracting foreign attention as incomes rise, urbanisation gains pace and consumers become more brand conscious.

The interest is focused on the whole range of activities from food processing to distribution and retailing. According to Treasury figures, foreign investment in the food, beverage and tobacco sectors outpaced any other area in 1992 with permits for $283m approved, compared with total investment in manufacturing of $1.2bn. The amount in 1991 was even higher at $364m.

Much of the capital is still targeted at the domestic market, particularly in tobacco where both Philip Morris and Reynolds have made sizeable commitments in the past year. But there is also a significant trend in export-oriented food manufacturing, with tomato paste and fruit concentrates being the favoured products.

In addition, the retail industry is starting to attract big foreign names, with Carrefour, the French stores group, due to open its first hypermarket in the Asian part of Istanbul before the end of the year. Promodes, also of France, is looking at a possible venture with the local Dogus Holding. Prisunic of France is seeking a local partner. And Migros, originally a joint venture between the Swiss and the local Koc group but now controlled by the local partner, is rationalising its smaller stores, while increasing the product range of its larger outlets.

Begindik, a meat processing group from Kayseri, has opened a series of hypermarkets, including one housed under the vast Kocatepe mosque in Ankara.

Several manufacturing joint ventures have been set up. Jacobs Suchard, the Philip Morris affiliate, earlier this year agreed with the local Sabanci's Marsa company to market and eventually manufacture a range of confectionery products. There remain some big players. For example, Ulker, a chocolate manufacturer, is larger in Turkey than Nestlé. But as competition intensifies, bankers expect more mergers as foreign names, in the wake of Turkey's move to achieve a customs union with the European Union in 1995, buy up market share.

In 1992 Unilever took over Komili liquid oils company, in an agreed merger in what one western banker has described as the first example of a foreign multinational putting a value on a Turkish brand name. Corn Products of the US, owner of the Knorr soup brand name, has bought out its local partner, in this case another Koc company. Coca-Cola is seeking to acquire its local bottling operations. Cargill of the US has acquired the Vanikoy glucose operation. "If you want to move ahead aggressively, then the only way is to acquire the competition," says a leading foreign food concern.

**It was so successful that now it is the Turkish word for margarine**

In the early days food processors were vertical operations where the manufacturer was often involved in everything from seed production, through cultivation to packaging and marketing. The export sector was and still is largely in intermediate goods, many of which end up back on Turkish shop shelves as finished products.

In the dry goods sector, Unilever was very much the pioneer. From just two products in 1950, today the range covers some 100 brands. Unilever enjoys a unique position in the market with a sales team of more than 400, supplying some 2,600 wholesalers and almost a third of Turkey's 180,000 small retail outlets or *bakkals*.

In 1990, Sana, Unilever's sunflower oil and one of its original brands, was the company's largest single product worldwide. Such was its initial success that *sana* is now the Turkish word for margarine. "Ten years ago when a housewife went to her local shop, she would ask for Sana not as a brand but as a product name," says Mr Takşin Tuglular, technical director of Unilever Foods Turkey.

Today, Unilever makes sales of $800m and is the largest food company in Turkey, with a dominant position in margarines and liquid oils. It has recently launched its Algida ice cream range.

It remains a tough market. Total demand for margarine is decreasing, as consumers switch to liquid oils. New entrants are also sharpening the competition. The Turkish consumer is becoming more choosy and as a result more importance is being placed on packaging and marketing.

Unilever's production is still targeted at the domestic market. However, around 10 per cent of output goes to exports. Its principal markets are in the Middle East, particularly Iraq, where Unilever is selling Vita. In the Black Sea countries, it sells its Aymar products; but the company stresses this is relatively new territory.

Turkey has long been an exporter of hazelnuts and other agricultural products but the export of processed foods got under way only in the 1970s, when the Ecevit government gave incentives to farm co-operatives. This gave a spur to the frozen fruit and vegetable producers although a number of operations subsequently failed through lack of capital.

A good example is tomato paste where Heinz of the US, offering technical assistance in exchange, sourced some of its material locally. Turkey is now the world's third largest producer, after the US and Italy. It is also the largest supplier to the Japanese market. Indeed Japan's Kagome and Sumitomo now have equity stakes in the Koc group's Tat Konserve, the largest local producer.

But if the sector is really to take off, there will also have to be significant new investment in frozen distribution infrastructure. This is a vital constraint on the fresh product business. It is also a factor to a producer like Unilever, particularly when launching a new product nationally, currently the best way to expand sales in the local market.

**John Murray Brown**

Profile: BULENT GULTEKIN

# Needlework at the bank

Bulent Gultekin: has already shown his mettle

Building a market economy is harder than people realise," says Mr Bulent Gultekin, Turkey's new central bank governor. And he should know. As one of the breed of international jet set economists, Mr Gultekin, when not teaching at Wharton School in the US, has spent the last three years advising the Poles, Uzbeks, Kazaks, Ukrainians and Belarussians on how to do it.

He is more optimistic about Turkey's prospects however. "In eastern Europe, you go in a good mood and come out depressed. When you come to Istanbul, even after Vienna, this is a metropolis. It has the same liveliness as Hong Kong, Shanghai, Kuala Lumpur or Jakarta. The lenders and creditors always look at the current account. The institutions, the equity investors, they notice this vibrancy."

Mr Gultekin brings a wealth of experience to the job. A one-time adviser to the World Bank, the EBRD, the United Nations Development Office and the US Agency for International Development, he first came to prominence in Turkey as a pivotal figure in the late Mr Turgut Ozal's economic reforms in the mid-1980s, running the newly created privatisation agency.

He remembers drafting a study on the Istanbul stock exchange, when it was still just an idea on Mr Ozal's drawing board. "Friends in the US thought we were a lot of science fiction writers. Now look at the market," he says.

Turkey, he believes, is at the second stage of reform. "The first stage was easy. All you needed was a politician of vision, pushing changes through by decree. We are now at the second stage. It requires something more like needlework," he says.

**"I'd never met Mrs Çiller before. I asked her whether she wanted a clerk or a governor"**

The choice of metaphor might seem appropriate as Mr Gultekin moves to forge a working relationship with Mrs Tansu Çiller, the prime minister – never the easiest of tasks. When appointed, the Turkish press made life briefly uncomfortable, forcing him to renounce his US passport. His wife is an American.

The governor was very much a surprise choice to replace the long-serving Mr Ruşdu Saracoglu. It was a surprise to him, too. The first his colleagues at Wharton knew of it was from the pages of the Financial Times. "I was on holiday in Turkey. I'd never met Mrs Çiller before. Within half an hour she'd offered me the job." When asked if he set any preconditions his reply is loaded: "I asked her whether she wanted a clerk or a governor."

He faces a difficult job. Mrs Çiller appears intent on bringing down interest rates, in a bid to reduce the government's debt service costs – even if it means renewed pressure on the lira. Since she took over in June, the depreciation of the currency has been accelerated and is now running at around 5 per cent a month compared with around 3 per cent in the first half of 1993. The bank reserves, while healthy at around $6bn, will need to be sustained to see off any unforeseen volatility.

Mr Gultekin is reluctant at this early stage to outline his plans for what he likes to call the banks' bank. But he has already shown his mettle, in the first week in November, successfully intervening to the tune of $300m to "stabilise" the currency. Although as a former World Bank adviser, this is not a verb he would use, of course.

**John Murray Brown**

Terrorist attacks frighten off visitors

# Tourism revenue drops

The lure of cheap holidays in Turkey has been severely diminished by this year's spate of kidnappings and bombings by Kurdish separatists.

Visitors to Turkey plummeted from 2.8m to 2.2m in the peak months of July, August and September, according to government figures. Earnings for the year are likely to be well below expectations and short of last year's $3.6bn.

"Terrorism has seriously undermined revenues from tourism," says one western diplomat in Ankara. "The government had hoped for $6bn from tourism this year. That is likely to be halved because of the PKK [Kurdish separatist group]."

Tourism is still one of Turkey's biggest single foreign exchange earners. Last year, the country took a 1.3 per cent share of the world's $279bn income from tourism. And the government says it believes earnings will pick up again next year.

"I am cautious about this year," says Ms Ayse Feyizoglu, of the Turkish tourism ministry. "But in the long run I think the numbers should go on increasing."

The industry has grown rapidly since the mid-1980s when the government set out to encourage tourism by improving the infrastructure, including roads, hotels and airport facilities, particularly along the Mediterranean and Aegean coast.

"In 1987, we had only 65,000 hotel beds," says Ms Feyizoglu. "Now there are more than 300,000, and facilities for a further 200,000 are under construction. In the next two to three years, we expect the number of foreign visitors to rise to 10m a year."

Earnings from tourism rose sharply between 1985 and 1990 as droves of visitors, mostly from western Europe, took up the promise of a cheap and exotic holiday, with good food and virtually guaranteed sunshine.

Between 1985 and 1990 the number of foreigners visiting Turkey jumped from 2.6m to 5.4m, with receipts from tourism rising from $1.5bn to $3.2bn.

The rise was interrupted in the aftermath of the Gulf War, when earnings dropped to $2.65bn in 1991. Last year, the numbers bounced back, with 7m visitors, producing receipts of $3.6bn.

**The Germans "fear reprisals after neo-Nazi attacks on Turks"**

However, up to September this year Turkey had attracted only 5m foreign tourists, against 6.7m a year ago.

The latest figures, coupled with a rising number of Turks travelling abroad, undermine government attempts to improve the country's balance of payments position with earnings from tourism. An estimated 3.2m Turks going abroad will reduce the net figure from tourism this year by $950,000. Turks are expected to spend $1bn on holidays abroad next year.

Ms Feyizoglu says that Turkey is making up some of the losses from Europe with a rising number of visitors from the south-east Asia, in particular from Japan. Last year, nearly 28,000 Japanese tourists visited Turkey, according to government figures, against 12,000 the year before.

After terrorist attacks on coastal resorts and kidnappings of foreigners, the government has promised greater security at hotels and other holiday accommodation. The slide in earnings has also prompted new minimum regulations for the industry.

Recession in Europe has discouraged visitors from abroad, says Ms Feyizoglu. The number of Germans, who account for the largest group of tourists in Turkey at about 12 per cent, has declined this year by more than 5 per cent. But officials say terrorist attacks are only part of the problem.

"The Germans also fear reprisals after neo-Nazi attacks on Turks in Germany," says Ms Feyizoglu. "But no-one here would contemplate such an act of revenge."

Western embassies in Ankara, including those of the US, Germany and the UK, are still warning their citizens to steer clear of south-east Turkey, although not of the rest of the country.

Yet thousands of foreigners are staying away, for whatever reason, and next year's official target of 8m visitors to Turkey may prove optimistic.

**Sheila Jones**

# BELGIAN BANKING AND FINANCE

Thursday November 25 1993

Belgium has long been home to the European Community's political institutions, but do the country's many financial institutions have the clout to survive and prosper in the competitive single market which 'Brussels' has created? **Andrew Hill** reports

## An austerity route agreed

Since Belgium took over the presidency of the European Union in July, the country has often seemed like a storm-tossed miniature replica of the 12-nation community over which it presides until the end of next month.

Belgian industry has been on the rack of recession, its sufferings exacerbated by fading competitiveness. Strikes have disrupted daily life; and perceived weaknesses in the country's public finances – notably looming budget and social security deficits – have made the Belgian franc, once considered a surrogate for the D-Mark, a prey to fierce speculation on the bond and foreign exchange markets.

Sometimes the authorities' only defence appears to have been to lash the currency to the D-Mark and hope for the squalls to blow out. But at a time when other European currencies have cut free, and apparently profited from their liberty, that policy has itself been blamed for aggravating some of the country's problems.

Early on the morning of November 17, however, Belgium's coalition of Christian Democrats and socialists found what should prove to be a more constructive way out of their difficulties. After weeks of wrangling, and in spite of the abandonment of the original three-way talks with unions and employers, ministers finally agreed an austerity plan – a series of measures to limit social spending and wage increases, improve competitiveness and tackle unemployment. It is easily the most far-reaching recovery programme in Belgium since the second world war.

The plan – inevitably compared to the European Commission's planned white paper on competitiveness, growth and employment, due to be presented at next month's Brussels summit of EU leaders – had an instant and dramatic impact on the financial markets. The Belgian central bank responded immediately with a bigger than expected cut in leading interest rates; the Bel-20 index of leading Belgian stocks rose sharply; the yield gap between Belgian franc and D-Mark denominated bonds narrowed; the franc itself strengthened.

The Belgian coalition – which constructed the plan in the teeth of actual and threatened strike action – will be justifiably pleased with this reaction. But it is not clear whether the short-term market rally can be sustained and the risk of continuing industrial action by unions seen off.

What, then, will be the medium-term impact on Belgium's public and private finances?

Belgian public finances are overshadowed by debt which stands at more than 120 per cent of gross domestic product. Gradual cuts in interest rates will fit in well with the government's existing strategy to reduce the cost of its borrowing by refinancing its debt. Cuts of about BFr75bn in spending on health benefits, family allowances and pensions will also help restrict the overall rise in borrowing.

The austerity plan will also strengthen Belgium's chances of meeting the goals set out in its programme for convergence with other EU economies. The government's own forecast of how Belgium will meet the Maastricht treaty target of cutting its budget deficit from 6.9 to 3 per cent of GDP by 1996 depends on a delicate balance between GDP growth and falling interest rates. The plan should improve both those.

The impact on private sector savings is more difficult to predict. Included in the plan – partly as a way of offsetting the edginess of socialist coalition partners about cuts in social spending – are revenue-raising measures which could penalise certain investments. For example, the government plans to increase withholding tax on interest income from 10.3 per cent to 13.4 per cent, while withholding tax on dividends should come down from 25 per cent to 13.4 per cent.

The question of withholding tax is particularly sensitive for Belgium's financial sector, which in the past has lost savings business to neighbouring Luxembourg with its limited taxes and banking secrecy laws. One of the original recommendations of the experts who laid the groundwork for the austerity plan was that Belgium should find a way to accelerate plans for Europe-wide harmonisation of withholding tax, but that seems no more than a long-term objective.

A more reliable, and quicker way for Belgian banks to overcome the attractions of the Grand Duchy (most of them have profitable Luxembourg subsidiaries too) is to find new means of persuading the wealthy ordinary Belgian to invest at home.

"Ordinary" Belgian bank customers are not small fry. A recent survey showed that with average savings of BFr600,000, Belgians lagged behind only the inhabitants of Switzerland, Japan and Singapore as savers. Separate surveys show that at the end of 1991, Belgian households topped the world league with net household savings taking up 17 per cent of disposable income.

Belgians are also extremely well off for banking branches, and daily banking transactions have attained a sophistication which is only just being matched by many other European countries. A nationwide system of cash and debit cards – many linked to the Eurocheque network – means that Belgians can pay for goods at most retail outlets with just a card and their personal code number. In some cases, most notably at petrol stations, the outlet does not even have to be manned.

Paradoxically, however, although the big banks provide a blanket service, with branches in every village, their bid to persuade cautious customers to branch out into investments more complex than low-interest savings accounts is relatively recent.

Liberalisation and increasing competition – both at an EU and national level – is beginning to open up the market and all the main participants in Belgium's private financial sector are trying to get involved.

For example, the Brussels stock exchange is trying to promote the attractions of ordinary shares – likely to be helped by the proposed reduction in withholding tax on dividends – while listing new products such as warrants.

Belfox, the growing futures and options exchange, has a nationwide roadshow aimed at persuading more sophisticated Belgian investors to switch some savings out of low-interest accounts into stock options.

Banks, meanwhile, have expanded their range of high-interest accounts, and offer a widening range of Sicavs, a form of unit trust for shares, bonds or currency. They are also rapidly branching out into the potentially lucrative field of bancassurance. By trimming the state's comparatively generous pension benefits, the austerity plan may help accelerate that process by persuading more Belgians that it is worth investing in simple life insurance products, sold through the dense banking network.

As Mr Valère Croes, a director of Fortis, the Belgian-Dutch financial services group, says: "Total saving is as high or even higher than in other countries, but the share of life insurance isn't high enough."

This is where analysts expect most changes to take place. Fortis recently stole a march on its competitors by buying half of CGER-ASLK, a network of savings and insurance branches, from the government, in the first stage of a modest BFr85m four-year privatisation programme.

But both insurers and bankers say existing competition between companies already established on the Belgian market will make it difficult for foreign financial institutions to set up from scratch. The privatisation programme – focused at the moment on state-owned credit institutions – is one way into Belgian financial services for outsiders.

The rapid evolution of financial services in Belgium is unlikely to slacken off, even if last week's austerity plan is only partially implemented. But if the Belgian government does indeed manage to turn what looked like becoming a winter of discontent into a glorious summer of economic revival, Belgian banking and finance can only benefit.

The Générale de Banque, in the centre of Brussels, is one of Belgium's 'big three' private commercial banks – the others are Banque Bruxelles Lambert (BBL) and Kredietbank Tony Andrews

### The insurance market

## Push comes to shove

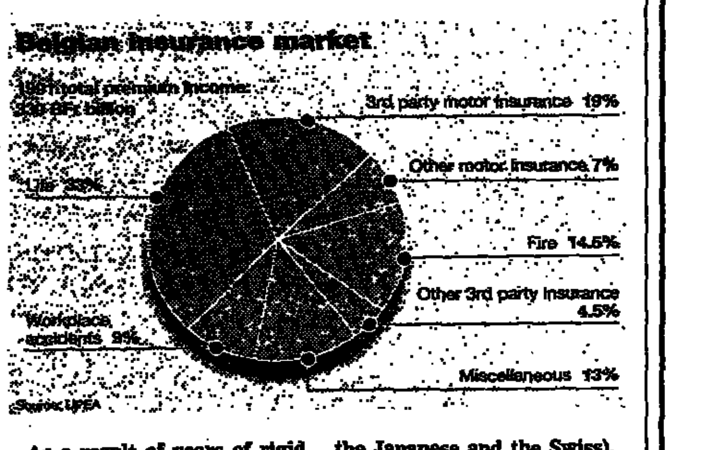
Nudged and prodded by new European Community rules, the Belgian insurance market is edging into the harsh light of liberalisation.

The transformation is likely to be dramatic. Until recently, the country's insurance control authorities had to vet tariffs and conditions before a new policy could be launched, limiting insurers' creativity. Unit-linked life insurance policies were not allowed.

Motor insurance tariffs were among the most rigid in Europe: until last year a 22-year-old boy-racer burning up the back streets of Brussels' roughest quartier was subject to roughly the same tariffs and conditions as a 53-year-old spinster poodling round the picturesque Ardennes.

With the EC already framing legislation to liberalise the insurance market, a "round table" of all those involved in the Belgian insurance market was convened in 1990, with the objective of laying the foundation for deregulation in Belgium. The result has been a pile of technical and fiscal reform, coming on top of the EC liberalisation programme which comes into full effect in the middle of next year.

There are still teething problems. The non-life sector is barely profitable, and most large Belgian insurers agree that the Belgian authorities will have to allow greater increases in fire and car insurance premiums. At the same time, the right to discriminate between car insurance policyholders has created an underclass of high-risk drivers who are almost uninsurable.




As a result of years of rigid controls, the insurance market is strangely underdeveloped compared with the rest of northern Europe. Whether expressed in terms of premium per inhabitant, or as a share of gross national product, the Belgian insurance sector is less than half as important as the British market, and lags behind its French, Dutch and German counterparts.

Belgium's extensive system of social security and pensions also means that the market for life insurance has not developed as quickly. Life business represents only a third of the BFr330bn of premium income in Belgium, compared with 55 per cent in the Netherlands. Insurance brokers – the principal distribution network in Belgium – have tended to concentrate on the sale of non-life policies.

But although Belgium is a small country, it is also a comparatively wealthy one. Belgians are among the world's biggest savers (up there with the Japanese and the Swiss).

"One can take a pessimistic or an optimistic view," says Mr Wautier Robyns of the UPEA, trade association of the Belgian insurance industry. "There's not a lot of insurance awareness among the Belgian public – but compared with surrounding countries there's plenty of room for development of the Belgian market."

That does not necessarily mean that Belgium is waiting to be consumed by powerful outsiders. In fact, other than insurance companies linked to trade unions or political parties, most of the 250 or so insurers operating in Belgium are either subsidiaries of, or already have strong links with groups outside the country.

Belgium's two largest quoted insurers are AG and Royale Belge. AG is part of the Fortis joint venture with Amev, the Dutch financial services group.

Continued on Page 3

## BELGIAN BANKING AND FINANCE 2

Backed by the old bourse, the new futures and options market has proved itself, writes **Andrew Hill**

# Belfox thrives in the gentleman's club

The majestic Brussels stock exchange building, which dates from 1873, is home to two very different institutions.

Most of the 20,000 sq m in the centre of Belgium's capital is used by the venerable stock exchange. Mr Henri Servais, its dapper, bow tie-wearing new president, is under no illusions about the task which faces him. "The stock exchange is still an old gentleman's club," he says. "It's very difficult to get them to accept changes and challenges."

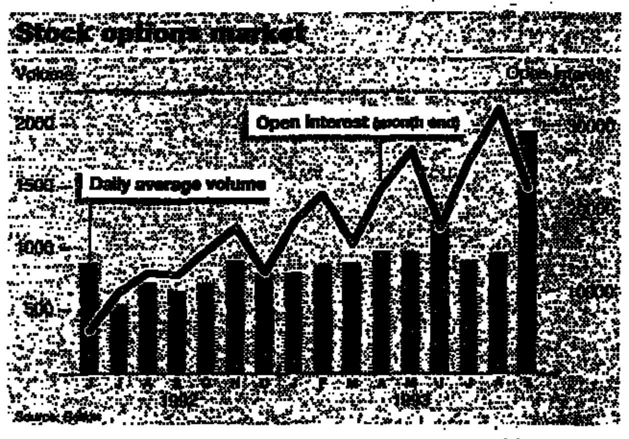
Sharing the premises – with a meagre 200 sq m or so – is Belfox, the country's fledgling futures and options market. Since its launch two years ago it has had to face a series of changes and challenges, ranging from computer breakdown to debilitating lack of volume and liquidity.

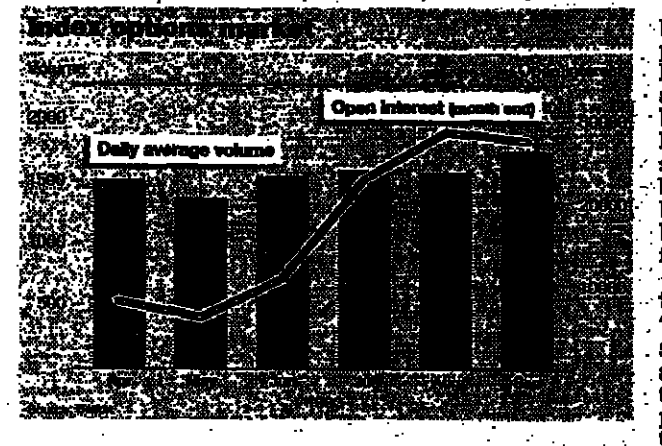
Now, Mr Jos Schmitt, Belfox general manager, says the exchange has emerged as one of Europe's strongest, most efficient and least costly futures and options markets. As proof, Belfox has just announced that it reached its profit target for 1993 by the end of September.

That does not mean that the exchange is growing complacent. As part of a new marketing drive, Mr Schmitt and his colleagues expect to have delivered nearly 200 presentations all round Belgium by the end of the year, explaining, in particular, how stock options work. Belfox has added a series of options on other stocks to its original limited choice and continues to expand.

The interest of Belgium's sophisticated private investors is heartening for the Belfox management, but much more encouraging has been this year's spectacular recovery of professional trade in futures. The future on the benchmark Belgian government bond (BGB) was supposed to be one of the central planks of Belfox's success, but by August last year trade was so thin that a "gentleman's agreement" had to be arranged between 15 financial institutions to underpin the contract.

Happily for Belfox, when the agreement expired in January, the BGB future continued to flourish, benefiting, together with the future offered on the three-month Belgian interbank offered rate (Bibor), from an unusually turbulent year for the Belgian government and currency. "Turmoil is very good for us," points out Mr Schmitt, "not so much for the volume itself, but because these periods make people try to use our contracts."




Belfox has also experienced particular success with its option on the Bel-20 index of most heavily traded stocks. The exchange had anticipated that some 500 contracts would be traded daily, and hoped for 1,000 a day. In fact, volume has started to average 2,000 contracts a day, and is regularly breaking its own daily records. A Bel-20 future has just been added to Belfox's list of products.

The stock exchange has also caught the trend for new investment products, listing warrants on the Bel-20, and offering professional investors an easy way of hedging their risks, by promoting "Belfix", a basket of Bel-20 stocks, weighted in the same way as the index itself.

As yet there is no open rivalry between landlord and tenant. After all, Belfox would never have existed without the backing of the bourse itself. But Mr Servais says the bourse is watching carefully to ensure that its products do not overlap with those of Belfox – and vice versa.

It would be understandable if the stock exchange were a little envious of Belfox's apparent success. The bourse has always been plagued by lack of volume and liquidity, and although this year's 25 per cent increase in share values to record levels looks impressive, Brussels is still underperforming its main European rivals.

Mr Servais knows that the bourse has a lot more to lose than Belfox, and he is acutely conscious of the challenges ahead. He is warning his colleagues on the stock exchange council, and on other European stock exchanges, of the dangers of complacency in the face of European legislation which could crack open the gentleman's club.

The investment services directive – which comes into force in 1996 – will end the cosy situation in which most investment in Belgian stocks is funnelled through the 80 members of the bourse. A large proportion of business in the most heavily traded shares is already handled by London-based Seaq International, but Mr Servais says that from 1996 such new "regulated markets" based on telephone trading will be even better placed to win big investment business away from Belgian firms.

Mr Servais is convinced that there will always be a need for "traditional" continental-style stock exchanges, particularly as a safety net during difficult trading periods. His problem is persuading his fellow brokers that the threat is real, and that action must be taken. "We need to be able to offer an excellent service, at a low price, or we will disappear in favour of other regulated markets," he warns.

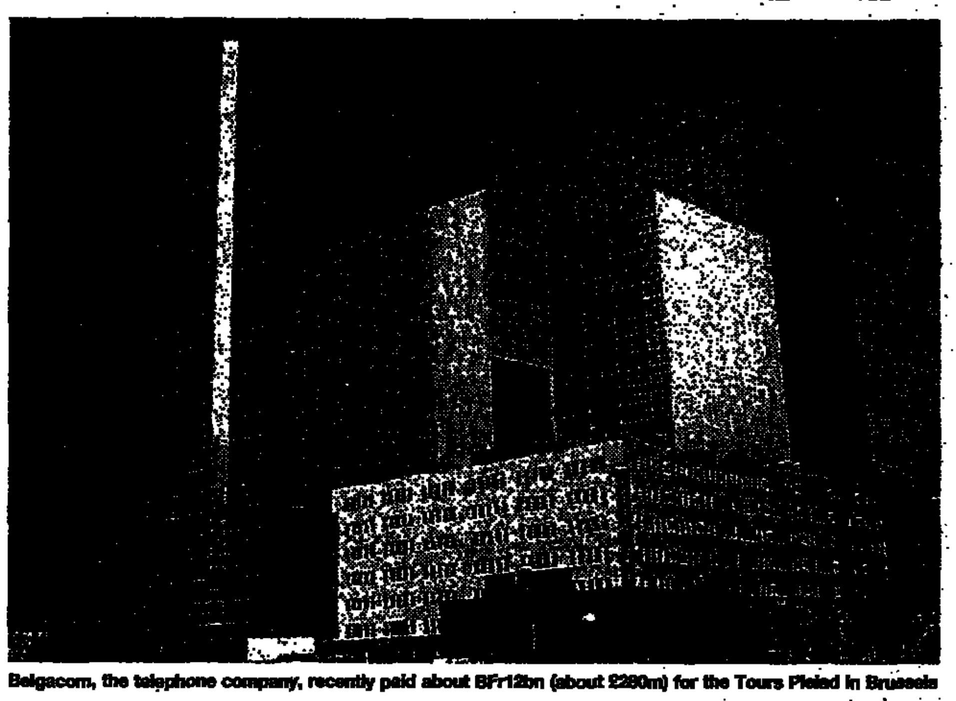
With the 1996 deadline in mind, the stock exchange is trying to reform itself. For example, Mr Servais is fighting internal opposition to linking up the exchange's trading and clearing computer systems. At the same time, the stock exchange is pursuing limited deregulation of commissions, which it believes will make large trades cheaper, while avoiding an increase in the cost of small transactions. The finance ministry is under pressure to remove the tax on transactions by foreign investors, and Mr Servais is examining ways in which to diffuse stock exchange prices more efficiently to the public: one possibility is a formal link with one of Belgium's financial newspapers.

Belfox, meanwhile, is also introducing changes to widen its appeal: foreign banks and brokers will be allowed to participate directly in the futures and options market; the fee structure will be relaxed between members of Belfox; and the definition of Belfox products will be formally widened to allow new instruments to be traded.

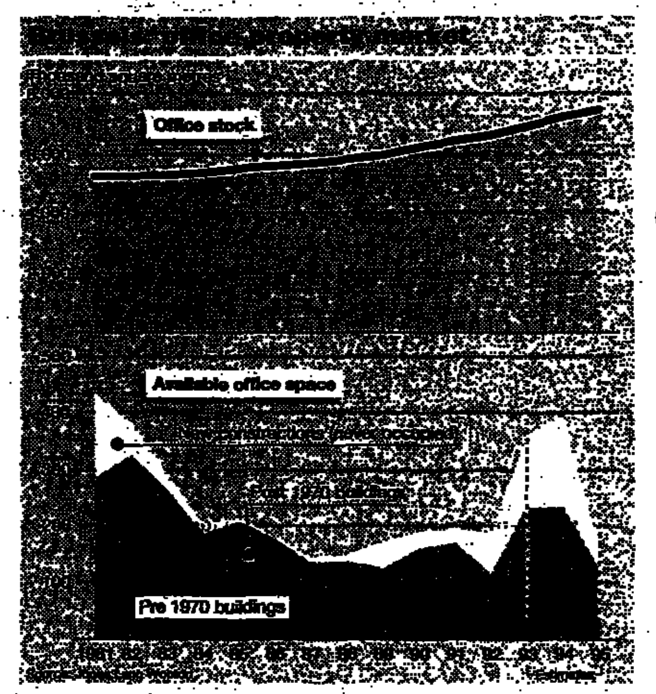
In spite of the growing pressure from rival markets, both Mr Schmitt and Mr Servais are confident that they can attract new investors, if preparations for a new era of liberalised investment are made now.

To illustrate the point, Mr Servais brandishes a recent report showing that US fund managers increased their investments overseas by \$46bn in the first half of 1993 to nearly \$200bn. Brussels' market capitalisation may represent only 0.7 per cent of world stock market capitalisation, but, as Mr Servais points out, eyes gleaming, a 0.7 per cent share of that US overseas investment would account for about a third of the bourse's turnover.





Belgacom, the telephone company, recently paid about BFr12bn (about £280m) for the Tours Pleiad in Brussels




Lionel Barber reviews the property market

# Difficult times ahead

It ranks as the most expensive building in Europe. Shaped like a gigantic glass juke box, the new European Parliament headquarters is known in Brussels as the Caprice des Dieux – a French pun which refers to the oval shape of the roof, a brand of cheese, as well as to its folly.

The Parliament's futuristic headquarters is a monument to a bygone era of grand political designs. Its BFr40bn price tag is out of step with today's more sober expectations about the pace of integration in Europe, but it also matches the new mood of austerity in the Belgian property market.

After the Roaring Eighties, when development and rents expanded at breakneck speed, Belgium is experiencing stagnation in the property market. Brussels boom will not be followed by bust, in London or New York style, mainly because built-in "stabilisers" are offered by the presence of European institutions, the Belgian national government, and the 19 Brussels communes. Still, there is a nagging feeling that the good times are unlikely to return any time soon.

"We face a difficult period of one to two years," says Mr Jean-Claude Vandecauter, general manager of the Brussels office of Knight, Frank and Rutley.

Mr John Travers, senior partner with Healey & Baker in Belgium, agrees: "Yields on property are good, but growth is less good. We are going to have a difficult two to three years."

Experts compare the present slackness to the period immediately after the first oil shock in 1973. This led to a period of slow growth from 1975 to 1985, characterised by a slump in office rentals and a rise in vacancies.

What is striking is how the upturn which followed in the mid-to-late 1980s coincided with a fresh political impetus given by the 1992 single market programme. Thus, in the period between 1985 and 1991, rent levels increased at an annual rate of between 12 and 15 per cent a year.

Mr Richard Ray, manager of investment at Richard Ellis, believes that rents have dropped as much as between 5 and 10 per cent since the top of the market in late 1991. He quotes BFr8250 and BFr8500 per sq m. "There is still a little slippage likely next year, but not much more than 10 per cent," says Mr Ray.

Availability tells a similarly bleak story. As recently as 18 months ago, availability in the capital was as low as 2.5 per cent. But according to January figures, 6.4 per cent of office space was now available for rent. In the summer of 1993, it rose to 7 per cent. It could rise to 8.5 per cent in 1994.

Mr Philippe Winssinger, managing director of Debenham, Tewson, Winssinger, explains: "There is less demand. Corporate profits are stagnant, so the first place companies look to cut costs is office space and personnel." He cites examples such as the recent restructuring ordered by IBM and Wang, two important computer employers in Belgium, as well as Société Génèrale de Belgique, the industrial holding company.

Aside from the recession, the strict urban planning policy of Mr Charles Picqué, minister-president of the Brussels-capital region has restricted development. The policy has, however, helped to support rents; and most developers recognise that there is no chance of returning to the late 1960s, when many of the capital's historic areas were torn down in a free-for-all which reflected as badly on the politicians and planners as on the developers.

Today, one of the built-in insurances is the continuing expansion of the European Commission. Though the Commission is not taking up availability at its former rate, it is still on the look-out for places to put *fonctionnaires* displaced from its Berlaymont headquarters, which remains an empty shell awaiting renovation. The Quartier Leopold area still looks a good long-term bet.

Yet the present difficulties should not be exaggerated. Healey & Baker's recent survey of the European property market placed Brussels in a strong fourth position behind London, Paris and Frankfurt.

Brussels continues to be seen as the most important political centre in Europe, boasting not only the the Commission but also the Council of Ministers, the Council Secretariat and the European Parliament – with all the attendant lobbyists and lawyers.

The addition of new members to the newly-formed European Union over the next decade will also maintain momentum in the property market. Austria, Finland, Sweden, and Norway are seeking to enter the EU by January 1, 1995. If they succeed, there will an immediate requirement for more interpreters, more translators – and more office space. "It is a psychological boost," says Mr Vandecauter.

On the other hand, international institutions are not the dominant players in the Brussels letting market – they only account for about 16 per cent of office occupation. Belgian state (30 per cent), international private sector (24 per cent) and Belgian private sector (23 per cent) all have a bigger presence.

In the longer term, the former European Community occupied 490,000 square feet only 15 years ago; today, it occupies 1m square feet. In 15 years, some experts put the requirement as high as 3m square feet.

Outside Brussels, the highlight of the Belgian property market this year was the opening of the country's largest out-of-town shopping centre at Wijnegem, near Antwerp.

It contains 170 shops spread over 37,000 sq m, together with a 14,000 sq m hypermarket. Mr Travers says that foreign retailers are moving into Belgium at an impressive rate. Recent newcomers include Hennes & Mauritz, the Swedish clothes chain, and Zara, a Spanish competitor. They follow in the footsteps of some important French and Dutch entrants into the Belgian market.

However difficult the present market, the longer-term outlook seems assured. Even though building and development will not be on the scale of the European Parliament complex, the fundamentals look fairly strong.

Mr Travers has spent the last 20 years in Belgium. "I believe in Brussels," he says.

David Gardner investigates the banking sector

# Not so cosy as it was

The advent of Europe's single market, together with domestic reforms to adjust to it, have forced Belgium's traditionally cosy banking system to take a cold look at itself. But the changes set in train are "creeping and discreet", as Mr Georges Martin, head of the research department at the Association Belge des Banques (ABB), puts it.

The trend is not so much to seek the protection and weight of mergers and alliances as to look ruthlessly at items such as costs, asset and liability management, new sources of income, pricing, and improved risk management and provisioning.

Such alliances as are beginning to emerge – or be mooted – in response to competition between the biggest players. They normally take the form of setting up *Bancassurance* or *Allfinanz* groups, selling banking and insurance products. Almost no one in the sector foresees large-scale mergers.

The larger players are too like each other, attempting to provide a universal banking service strongly rooted in the Belgian (or at most the supra-regional) market, encompassing the Benelux countries and bits of France and Germany. The entry of more aggressive outsiders such as Credit Lyonnais, offering higher interest rates, has shaken some of the complacency. But there is little sign of any significant restructuring of the sector as a result.

Competition in the Belgian banking sector is not new, but it is growing. There are now 90 banks – only 23 of them with a majority Belgian interest – as well as a clutch of powerful private savings banks and public credit institutions providing the most dense branch network in Europe.

Top of the league in consolidated balance sheet terms are the Big Three private commercial banks: Générale de Banque, Banque Bruxelles Lambert (BBL), and Kredietbank. These are closely trailed by Crédit Communal, jointly owned by all Belgium's provinces and municipalities, and ASLK-CGER, the state-owned savings bank which has been recently half privatised.

Until the end of the 1980s, banks in Belgium could rely on earning high bond yields from a government already well-launched into a serious public indebtedness problem (see article on bonds), while paying out relatively low interest on a very high stock of private savings, big chunks of which were regulated.

Belgium's savings profile was and remains an important part of the rationale behind maintaining a branch network which would raise boardroom eyebrows elsewhere.

**International comparison of household savings ratios [1] in %**

| | 1980 | 1985 | 1989 | 1990 | 1991 |
|---|---|---|---|---|---|
| Belgium | 16.2 | 11.5 | 14.4 | 15.1 | 17.0 |
| Italy [2] | 21.6 | 18.0 | 14.4 | 16.1 | 15.6 |
| Japan | 17.9 | 15.6 | 14.2 | 14.1 | 14.6 |
| Austria | 10.4 | 8.3 | 12.5 | 13.3 | 12.8 |
| Germany | 13.0 | 11.4 | 12.5 | 12.4 | 12.6 |
| France [2] | 17.6 | 14.0 | 11.6 | 12.2 | 12.6 |
| Switzerland | 3.3 | 5.7 | 11.2 | 12.0 | 12.5 |
| UK [2] | 13.3 | 10.6 | 7.1 | 8.3 | .8 |
| US | 8.1 | 6.6 | 4.7 | 4.5 | 4.9 |
| Sweden | 4.8 | 1.7 | -3.8 | -1.2 | 1.9 |
| Netherlands | 0.7 | 2.0 | 4.2 | 6.5 | 0.6 |

Source: Belgian Bankers Association. (1) Net household savings as a percentage of their disposable income (2) Gross household savings

**World rankings of Belgian credit institutions**

| Institution | Consolidated balance sheet local | Capital & reserves | Net pre-tax profits |
|---|---|---|---|
| Générale de Banque | 73 | 100 | 84 |
| BBL Bank Brussels Lambert | 90 | 146 | 189 |
| Kredietbank | 97 | 129 | 115 |
| Gemeentekrediet-Crédit Communal | 98 | 220 | 213 |
| ASLK-CGER Bank | 108 | 192 | 322 |
| CERA Savings Bank | 213 | 190 | 374 |
| BACOB Savings Bank | 245 | 301 | 554 |
| National Industrial Credit Co | 269 | 594 | 793 |
| Anhyp Savings Bank | 451 | 437 | 597 |
| Ippa Bank | 479 | 786 | 747 |

Source: The Banker, July 1992: the Top 1,000, worldwide

At the end of 1991, net household savings in Belgium as a portion of disposable income was 17 per cent. This is a ratio even higher even than 14.6 per cent in Japan; 12.6 per cent in Germany; 9.8 per cent (for gross household savings) in the UK; 4.9 per cent in the US.

Between a quarter and a third of these deposits, depending on the type of credit institution, were remunerated at a low fixed net interest rate. These accounts, originally designed to fund low-cost public housing, were attractive to savers because in exchange they were exempted from a stiff withholding tax.

The number of branches climbed to nearly 9,000, raising the number of accounts per 100 inhabitants from 26.5 in 1965 to 97.9 in 1991. Belgium, not a sparsely populated country, now provides a branch for every 742 inhabitants against, say, one for every 1,839 people in the Netherlands or one for every 1,385 people in the UK.

Belgian bankers, in the main, resist suggestions that this is over-branching, much less overstaffing. Each branch employs between a third and a quarter of the staff numbers common in Europe, and banks have invested heavily in automation. Since 1980, total staff costs have nearly doubled – but ABB figures show that net profit in the sector as a whole has more than quadrupled. Increased branching has gone hand in hand with increased competition.

One leading economist in the sector underlines the point that judgment of risk is more accurate at this grass-roots level, and that, for the Big Three as much as the savings banks, a strong domestic base is essential. Mr Eric Polleflict, head of Kredietbank's information department, says: "We want to be a universal bank in the Belgian market, and to do that you have to present in every village."

Nevertheless, deregulation at European and domestic level is forcing changes. The government's 1990 decision to slash withholding tax from 25 to 10 per cent has sucked savings back into Belgium from tax havens such as neighbouring Luxembourg, but it has also sharply reduced the pool of cheap regulated deposits. As a portion of all deposits, the latter have fallen from 24.8 per cent in 1980 to 13.2 per cent in 1992 for the banks, and from 46 per cent to 28.8 per cent over the same period for private savings banks.

At the same time as this big shift from low to high-yielding deposits, the government is aggressively repricing large chunks of its debt, moving it into longer-term bonds, and eating into bank margins. Most banks are now expecting to get about a tenth of their earnings from financing the government, against nearly a third barely five years ago.

Interest margins overall have declined sharply, from an average 3.2 per cent in 1970 to 1.4 per cent in 1992. This goes well beyond similar slides across the European Union, where the average remains 2.1 per cent.

As a result, there is new emphasis on cutting costs, on profitability, and on boosting capital ratios to ease access to cheaper working funds. Costs across the sector have dropped from 76 per cent of net earnings in 1980 to 66 per cent last year. Despite the recession, all three big banks reported double digit increases in consolidated net profits for the first half of this year.

Most banks have opted to consolidate a strong domestic customer base (where margins are higher, partly because of generalised repricing of credit and new charges on customers), and to generate more non-retail income in areas opened up by deregulation (although margins are keener).

Most institutions are developing a sizeable fee earning base in equity dealing (some 20 brokers are now linked to banks); in foreign exchange transactions; in swaps and futures; in new products like Sicavs (a kind of unit trust); and most visibly in insurance.

CGER, for example, surprised the market by consolidating its *bancassurance* strategy through a link-up with Fortis, the Dutch-Belgian financial services group. It has bought half the savings group's equity.

The move contrasts with unconsummated attempts by bigger players to establish supra-regional financial services groups: Générale de Banque's proposed link up with Amro of the Netherlands foundered in 1989, while BBL abandoned advanced discussions last year to ally with Internationale Nederlanden Groep (ING), the Dutch banking and insurance company.

BBL has since opted to pursue insurance links with Royale Belge of Belgium, and Winterthur of Switzerland. Kredietbank has its own insurance division.

In the rest of the sector, the Government's privatisation programme could produce new partnerships, on the CGER-Fortis model. Mr Martin of ABB argues: "What we've seen with CGER could happen with others, drawing in not only the Belgian private sector, but foreign [credit and insurance] institutions too."

# The EU push comes to shove

Continued from Page 1

Royale Belge is controlled by UAP, the French insurer.

Both AG and Royale Belge are gearing up for the challenge of liberalisation. Mr Jean-Pierre Gerard, chief executive of Royale Belge, says the UAP connection means that his company will be "better protected" than many others once the single market in insurance is declared open next summer.

Mr Maurice Lippens, chairman and chief executive of AG, believes that competition is already so fierce that it will be very difficult for new companies to set up. Many smaller units of large non-Belgian companies have already been forced to pull out of the Belgian market, he points out: "It's all very well to have a nice map of the world and put flags all over it, but it just doesn't work, unless you have a substantial percentage of the market and a back-up office."

But that does not mean that the large insurers are resting on their laurels. Instead they are in a fierce battle for the life business and their main weapon is *bancassurance*. Most of the Belgian banks now have some links with the insurance sector. The principle is simple: to sell basic "stock" insurance products through ordinary branches. Fire and life insurance, for example, can be linked to more traditional banking products, such as mortgages. The aim is to unlock some of those famous Belgian savings.

"For the private consumer, going into a bank branch is part of daily life, but going to put a question to an insurance broker is less common," points out Mr Robyns of the UPEA.

The Belgian consumers' association is backing the initiative, and opposes plans for unnecessarily restrictive legislation which might oblige bank staff to become qualified insurance intermediaries. The association believes that would impose extra costs, deter the banks from entering the market, and drive customers back to the brokers, whose expertise in selling life products has been much criticised.

Fortis claims to have won itself a head start in this potentially lucrative market by buying from the government a 50 per cent stake in CGER-ASLK, a network of banking and insurance branches, earlier this year. With CGER-ASLK already claiming 14 per cent of the Belgian market in personal life insurance, and Fortis adding a further 12 per cent, Mr Lippens believes the other banks and insurers will have difficulty catching up.

Mr Gerard, unsurprisingly, begs to differ. His company has joined Winterthur, the Swiss insurance group, in a *bancassurance* deal with Banque Bruxelles Lambert, one of Belgium's three largest banks. He says the alliance is at an early stage, but foresees a healthy future. He also believes there may be short-term problems marrying the different cultures, wages and personnel of Fortis and CGER-ASLK, although in the medium term it is clear he sees Fortis as a tough competitor in *bancassurance*.

As the UPEA points out, Europe's single market initiative has "really shaken up the Belgian market". The next few years will reveal how many home-grown insurers are strong enough to survive.

**Andrew Hill**





After a very tough 12 months, during which the turmoil on Europe's currency markets battered the Belgian franc and Belgium's bond market, there are signs that the Belgian Government's management of its huge public debt is moving back on to an even keel.

What is widely perceived by the markets and the Belgian political class as a significant breakthrough came in the early hours of November 17.

It was then that the Centre-Left coalition led by Mr Jean-Luc Dehaene, the Belgian prime minister, agreed on a package to rein in budget and social security deficits, increase industrial competitiveness, and freeze wages in real terms until 1996.

The bourse rose immediately; short-term interest rates were cut by more than a full percentage point; the franc strengthened, and the the risk premium which the government has to pay on its paper, fell.

The public debt mountain, equivalent to between 125 and 130 per cent of Belgium's gross domestic product depending on the method of consolidation chosen, still towers over a basically strong, high-productivity, export-oriented economy.

But there are now grounds for believing that the government's *franc fort* policy of shadowing the D-mark, and the renewed effort to get a grip on public finances, could pay off.

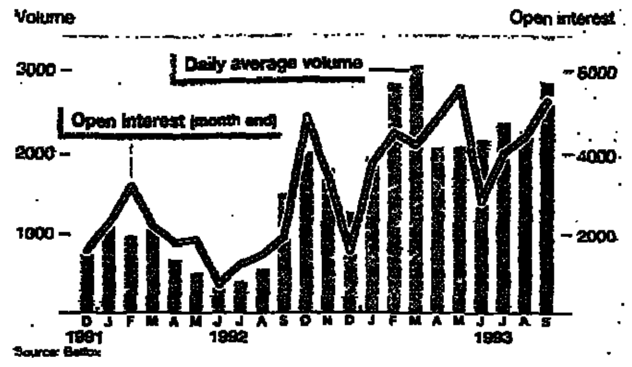
When the storms in the European exchange rate mechanism (ERM) first broke in September 1992, the Belgian franc weathered them well. The *franc fort* policy had earned Belgium the right to be considered part of the "hard core" inside the ERM, alongside Germany, France, the Netherlands and Luxembourg (with which Belgium has a 71-year old currency union).

Over the previous year and a half, the Belgian franc had strayed no further than 0.06 out of alignment with the D-mark, and the narrowing of interest rate differentials with Germany was almost complete. At one stage, Belgian short-term rates of interest even dipped below the German rates.

The size of the public debt stock – at about $200bn – remained a problem.

The public debt stock is more than double the debt-to-GDP ratio of 60 per cent indicated in the Maastricht criteria for those European Union

**Belgian Government Bond futures market**




Bonds took a bashing – but debt is becoming manageable

# 'Franc fort' may pay off after all

member states seeking to create a single currency by the end of the century. Annual interest payments to service the debt eat up an unsustainable 11 per cent of GDP.

Thus, even though the "primary" budget balance (exclusive of interest payments) was turned round, over the decade 1981 to 1991, from a deficit of 5.5 per cent of GDP to a surplus of 4.1 per cent, the actual deficit, after the interest bill, was reduced from 13.3 per cent to only 6.3 per cent – again, double the Maastricht criterion of 3 per cent.

**As European recession deepened, tax takes shrank, and deficits increased, Belgium could point out that its primary surplus was actually rising**

As long as the deficit was moving in the right direction, however, Belgium's partners and the markets perceived the debt stock as a hangover.

In January this year, for instance, the yield on 10-year Belgian benchmark bonds narrowed to 40 basis points against their German equivalent, compared to 120 basis points in August 1992, just before the first ERM crisis.

The 1992 budget deficit had climbed to BFr485bn, or 6.9 per cent of GDP. But throughout Europe, as recession deepened, unemployment costs rose and the tax take shrank, deficits were rising.

Belgium could justly point out that in the depths of such a recession its primary surplus was actually rising, heading on latest Finance Ministry estimates for 4.5 per cent this year.

"The feeling was, it's as good as the D-mark, except you get a premium," summarises Mr Peter Praet, chief economist at Belgium's leading bank, Générale de Banque.

But after the de facto implosion of the ERM this August, sentiment changed. Investors in government bonds, particularly from outside Belgium, "wondered how they could buy paper from a country with such a high public debt," says Mr Praet.

Throughout September and October, the central bank had to fight hard to maintain the credibility of the *franc fort* against market conviction that the authorities – in Belgium as in France – could not sustain the high interest rates needed to keep the link with the D-mark.

The psychological low point came at the beginning of October when Luxembourg held its first public bond auction. Belgium's currency union partner offered a substantially lower coupon on 10-year bonds, even though the Luxembourg and Belgian francs are interchangeable. Speculation flared that Luxembourg was steeling itself to break the link with Belgium.

But despite the dent to the credibility of Belgian bonds, the market was surprisingly resilient. "It was tested in very difficult conditions and it proved to be liquid," Mr Praet emphasises.

But nevertheless, the need to get a stabilisation package became all important, and Mr Dehaene, the Belgian prime minister, persevered even after the trade unions walked out of what was initially conceived as a tripartite pact between government, business and the unions.

The precise financial details remain sketchy as this survey goes to press, but the Government appears to have found savings of BFr70bn on the social security budget – the estimated deficit for next year. And these savings will be recurrent through changes, for example, in eligibility for child allowances.

On the eve of the crunch cabinet meeting to finalise the package, the risk premium offered by Belgian 10-year bonds over German equivalents was 109 basis points; within hours of markets opening the yield differential had narrowed to 90 basis points.

The package, moreover, reinforces the government's already well-advanced strategy of repricing its debt.

According to estimates prepared by Générale de Banque, this could save the Treasury the equivalent of 2 per cent of GDP a year. Some BFr2,000bn of short term debt, which is currently attracting implicit rates of just over 7.3 per cent, is being moved to longer maturities.

More debt falling due between next year and 1996 will be similarly refinanced.

Restored credibility in the bond market could win the government more leverage and yield further savings. That will be in addition to – as seems likely – about 2 per cent of GDP savings from the stabilisation package agreed earlier this month.

It will be well into the next century before Belgian debt gets near the Maastricht debt stock criteria. But the emerging longer-term and cheaper profile of the debt will make it far easier to manage any intervening shocks.

**David Gardner**

# BELGIAN BANKING AND FINANCE 4

## Andrew Hill reports on the progess of Belgium's modest privatisation programme

# Facts prove stronger than ideology

October [illegible], 1992, was an important date for the Belgian government. It was on that day that the first piece of the centre-left coalition's BFr85bn four-year privatisation programme was put in place – the sale of 19.9 per cent of CGER-ASLK, a network of insurance and banking branches.

Although the BFr35bn paid by Fortis, the [illegible] financial services group, more than meets the government's [illegible] target in 1993, the significance of the purchase was not so much its size as the speed with which it was achieved and the way in which ideological [illegible] were jettisoned once the [illegible] got under way.

The Belgian privatisation programme is modest, mainly because Belgium did not nationalise large chunks of its economy after the war (unlike France and Britain). There is quite simply not much the Belgian government can sell off before it runs up against the political complexities of privatising postal and rail services – sensitive areas which even the British government has [illegible] until last.

The current centre-left coalition took power in [illegible] only 20 months ago. [illegible] Hill Samuel, the British merchant bank, and Petercam Securities of Brussels, the formation of the coalition coincided with the publication of a study they had commissioned, estimating for the first time the value of state holdings in Belgium at a total of BFr318bn. As Petercam's directors now freely admit, injecting some round figures into the debate seemed to give energy to a government which had to raise money fast to curb its growing budget deficit.

"Before that, people had only philosophical debate about it, and we said: let's take philosophy out and find facts," says Mr Alain Camu, a director of Petercam and Hill Samuel.

Nonetheless, the speed with which the government moved was remarkable. This was no hard-line Thatcherite coalition but an uneasy alliance of Christian Democrats and socialists – not the world's most enthusiastic privatisers. But by Christmas 1992, the government had rewarded Petercam with a mandate to organise the sale of a "significant" part of CGER-ASLK. A bulky "memorandum" on the group was prepared and sold to five potential buyers in April. By the beginning of October, the deal was signed.

The only ideological skirmish was fought last year when Mr Jean-Luc Dehaene, the Belgian prime minister, upset his socialist coalition partners by indicating that there was nothing to stop potential buyers purchasing more than 50 per cent in state enterprises. In the end, the legislation governing CGER-ASLK was amended with hardly a murmur from the socialists in September this year, to allow the sale of a majority stake. Fortis now has an option to increase its holding to 50 per cent from January 1, 1996, and the state holding company can, if it so wishes, sell a further 9.8 per cent to the Dutch-Belgian venture.

**Floating CGER-ASLK, or a part of it, might have given new energy to the stock market, but the Belgian government was constrained by its tight timetable and tough targets for privatisation proceeds**

Mr Maurice Lippens, chairman of Fortis, says the idea of buying the state-owned banking and insurance group had not occurred to his company before the beginning of the year, simply because it was felt that CGER-ASLK was not for sale.

It was at a lunch in January with Mr Philippe Maystadt, the Belgian finance minister, that Mr Lippens first suggested that Fortis would be interested. In fact, when the interested parties were whittled down to just two, Fortis was the only serious bidder. The other proposal, from Générale de Banque, was to pilot CGER-ASLK to a public flotation.

Petercam points out that the government itself was not directly involved in the day-to-day process of privatisation. The advisers dealt mainly with the state holding company, which decided against a flotation, principally because the price would have been unsatisfactory. Petercam points out that the French government's sale of Banque Nationale de Paris to small shareholders, though hailed as a great public relations success, realised only 70 per cent of the state-owned bank's net asset value.

Générale de Banque was disappointed by the decision. Floating CGER-ASLK, or a part of it, would have given new energy to the stock market, the bank argued, benefiting the whole economy. But the Belgian government was constrained by its tight timetable and tough targets for privatisation proceeds – BFr25bn this year, BFr40bn next, BFr10bn in 1995 and the same again in 1996. It did not have time to prepare a full-scale public flotation.

Given the constraints, is there still a chance of a public flotation in Belgium? Mr Maystadt has always said that Belgacom, the state telecommunications company, might be a candidate for a public sell-off. He is determined that part of Belgacom will be sold, possibly as early as the end of next year.

But the government could face some stiff opposition – both from socialists within its own ranks, and from Mr Bessel Kok, the pugnacious chief executive of Belgacom, who argues that readying the group for pan-European liberalisation of telephone services puts Belgacom under enough pressure, without also having to bear the burden of a quick privatisation.

Easier targets for the next stage of privatisation are the credit institutions, SNCI-NMKN (which offers credit to Belgian industry through a network of independent agents), and OCCH-CBHK, a mortgage lender. Mr Maystadt believes SNCI-NMKN will prove interesting to foreign banks, and expects to begin a public auction before the end of the year.

By contrast, there is growing controversy over the sale of SNI-NIM, a state holding company, one of the most complex candidates for privatisation. The Antwerp-based industrial holding company, Ackermans & van Haaren, has put together a bid for SNI-NIM, in alliance with other interested parties. This is now being scrutinised by the government.

The proposal is said to be worth some BFr15bn and is probably the most realistic offer on the table. But it is bound to cause the government some headaches. Ackermans has indicated that it will let its bid lapse if a decision is not taken by the end of this year, and the Belgian finance ministry is said to want at least [illegible] from the sale for its 1993 accounts.

But the sensitivity of some of SNI-NIM's equity holdings – notably a 50 per cent stake in Distrigaz, the Belgian gas distribution and supply monopoly – meant that the government will almost certainly have to consider the possibility of taking a "golden share" to defuse political controversy over the sale.

## Antwerp is still the diamond capital of Europe

# Girl's best friend survives a crisis

When Pete Sampras swept to victory at the European Union tennis championships in Antwerp this month, he picked up a rare first prize. Instead of the standard cheque, Sampras, the world's number one tennis player, took home a diamond-encrusted racquet. It was a fine trophy for the champion's [illegible], but also to Antwerp's skill in promoting itself as the diamond capital of Europe.

[illegible] Antwerp is bouncing back.

[illegible] its [illegible] role this year as Europe's cultural capital, the city has drawn up a [illegible] of glittering events to show[illegible] the diamond trade, an industry whose roots in Flanders go back to the 15th century.

Perhaps the most eye-catching was the [illegible] "From the Treasury" [illegible] more than 10,000 carats of diamonds, emeralds, sapphires and rubies. [illegible] the Romanov family [illegible] of Germany, [illegible] Windsor's collection [illegible] distinguished families. [illegible] event attracted [illegible] visitors, a record for [illegible] shortly [illegible] Congress. [illegible] prospects for a [illegible] 1993-4. [illegible] Mr Julian Ogilvy-Thompson [illegible] De Beers Centenary [illegible] Consolidated Mines, [illegible] industry had weathered [illegible] terminal.

Prudent intervention by the Central Selling Organisation in London (CSO: the body which regulates the distribution of rough diamonds) had helped to bring supply and demand in the cutting centres more into balance. Confidence was now returning to the trade, Mr Ogilvy-Thompson told delegates.

This view is reflected in the performance of the Belgian diamond market which saw a strong expansion in the 1980s,

**Rise in turnover to 153.6m carats was markedly better than the 92.6m achieved in the first of 1992**

followed by a period of stabilisation between 1991-2. In the past six months, the market showed signs of a revival.

The chief reasons for the improvement were a recovery in the US; a decline in the supply of illegally mined diamonds from Angola (which continues to be disrupted by the civil war); and preventive action by the CSO to deal with dumping by Russian producers on key world markets.

The downside for the producers were tighter margins, cuts in production and multiple lay-offs. In South Africa and Namibia, De Beers laid off 4000 people – about 25 per cent of its workforce.

The raw statistics tell a part of the story. Imports of diamonds rose from 65.6 per cent in weight to 87m carats. Measured by value, imports rose by 15 per cent to $4.4bn.

Exports showed the same degree of expansion, with volume increasing by 66 per cent to 86m carats. Exports by value rose by 14 per cent to $4.3bn, with an increase in polished diamond exports to the UK, Germany, Italy, and France, despite the persistent weakness of the European economy.

As a result, the rise in turnover to 153.6m carats was markedly better than the 92.6m achieved in the first of 1992; meanwhile, value increased substantially from $7.6bn (1992) to $8.7bn. Of about 45m carats of directly imported rough diamonds of gem quality, 25m – 56 per cent – come from the CSO in London.

Antwerp remains the world's most important distribution point for rough diamonds, after the CSO.

It also boasts four of the world's 20 diamond bourses which together form the Federation of Belgian Diamond Bourses: Diamantclub van Antwerpen (which celebrated its centenary this year); Beurs voor Diamanathandel; Antwerpsche Diamantkring; and the Vrije Diamanthandel.

Together, the total membership of the four bourses is nearly 6000, with more than 1200 offices.

They have come a long way since the old polishing factories of the 1860s, many of which were steam-driven. Today, electronic data processing has transformed the operation of the diamond trade and industry, breaking down distances and speeding up communications.

If there is a darker side to the new age, it is that Belgian's diamond industry faces ever tougher competition, particularly from rival centres in the Far East which can exploit lower wages and costs.

Smaller Belgian manufacturers are therefore pressing for regular supplies of rough diamonds which are traded through Antwerp, while others are urging younger members of the industry to come up with new technological breakthroughs to improve competitiveness.

On the other hand, the Far East clearly offers enormous potential as a consumer market, particularly in China.

A polisher at work in Diamondland, the [illegible]

Last February the Diamond High Council organised a visit to Asia [illegible] included stops in the Philippines, [illegible] and Hong Kong. Local traders in [illegible] lobbied hard for deregulation of the industry in order to exploit its potential as an important foreign exchange earner. [illegible]

[illegible]

## Hilary Clarke watches the wooing of the small investor

# Thrifty from the cradle up

Belgium has the highest savings rate among European Union members. Small investors are important people on the country's investment landscape.

But it is too early to see whether sweeping changes to taxation on investment revenues, agreed by the government as part of a national plan to increase growth and jobs and balance the Treasury books, will influence small investors' choices. In order to retain the support of its socialist coalition partners, the government balanced social security spending cuts by raising taxes on unearned income.

Whether or not their damp, dreary climate is the reason, the average Belgian sets aside 25 per cent of his or her disposable income for a rainy day (according to the Ministry of Finance).

The average Belgian saves 25 per cent of disposable income

A recent survey by the International Savings Bank Institute found Belgian thriftiness surpassed only by Japan, Switzerland and Singapore. Each Belgian citizen, the institute found, has an average of £11,222 stashed away in a bank account.

The large amount of cash sloshing around in Belgium partly results from Belgian tax laws. Belgium still has one of the highest income tax levels in the EU. According to economists, Belgians like to keep their money handy, in case a larger than expected tax bill drops through the letter box. More cynically, high taxes means that tax evasion is a national sport – the guilty need to invest away from the sight of the tax inspector.

A Belgian's wealth is staggering. Economists at Générale de Banque, Belgium's largest bank, found that the average Belgian household has BFr7m (£130,000) invested in property and financial products – increasingly, since the early 1980s, in the latter. According to the 1991 Générale de Banque survey, 33.9 per cent of Belgian wealth was invested in property, 66 per cent in savings accounts, government bonds, life insurance and shares.

The high savings rate in Belgium is one of the main reasons why, until recently, the government did not feel compelled to deal with its debt problem. In fact about 80 per cent of government's huge borrowings in Belgian francs is owned either directly via the purchase of government bonds, or indirectly through banks investing in government bonds.

Belgians have been purchasing government bonds since the second world war, but before 1990 government bonds were not the obvious choice for the small investor. The products were complicated; it was difficult for individuals to understand what they were buying. So the government launched a new two-tier debt instrument system, with linear bonds for larger and institutional investors and bonds sold over the counter directly to retail clients – known as Philippe bonds after Philippe Maystadt, the finance minister, who dreamed them up. Priced at about £2,000, and announced on the radio, Philippe bonds have been very successful. Even during the Belgian franc's recent roller coaster ride on the foreign exchange markets, small investors remained loyal and held on to their bonds.

"Generally, the small investor doesn't plan to trade his or her bonds, but hangs on to them until maturity. They are not nominative, so even if an owner dies they can be passed on to children," says Mr Jean-Daul Hologne, an economist with Banque Bruxelles Lambert. National investors are also less concerned about the effects of currency fluctuations.

The government's decision to increase taxes on the interest earned on bonds and fixed-term interest accounts to 13.4 per cent from 10.3 per cent, part of a package of reforms, is unlikely to dampen the Philippe bond's popularity. The amount by which to raise the tax was carefully negotiated between the banks and the government so as not to spark a capital flight to neighbouring Luxembourg, where there is no withholding tax, but at the same time to increase government revenue.

The economic reforms will also have an inflation-reducing effect, by adjusting the basis on which the consumer price index is calculated, pulling out tobacco, alcohol and diesel oil from the list, adding to the bond's popularity.

Another important Belgian financial instrument for the retail investor is the Sicav Capitalisation investment funds, said to total around BFr600bn. Most of the funds invest in short-term Belgian franc treasury certificates and are exempt from withholding taxes. In order to prevent a capital flow from government bonds to Sicavs, at the same time as it raised its withholding tax rates, the Belgian government also raised Sicav entrance taxes. Furthermore, it raised taxes on switching operations within the fund to 1 per cent 0.35 per cent – and the duty charged when an investor takes money out of the fund, from 0.5 per cent to 0.35 per cent.

"We have a very distorted flow of funds. People pay a lot of money to the government but they are also paid a lot back in interest. The flow of funds between households and the government is too large compared to the amount of money invested in business," explains Mr Verfaille./Check. Who he?

"Belgians still trust the state to repay and they get a good yield from bonds. Investors, on the other hand, don't trust the Belgian stock market because of its illiquidity."

The government would like to inject more dynamism into the Belgian stock market. Despite a number of well publicised court cases involving minority shareholders in Belgium – including the legal victory of minority institutional shareholders in Wagon-Lit, the Belgian travel firm, forcing Accor, the French hotel chain, to increase its offer when it bought the company out two years ago – small investors shy from the stock market. In fact the first moves against Accor were made by a British shareholder; the Belgians followed afterwards.

"Even larger institutional investors often lack the independence to act – as was the case with Wagon-Lit for a long time, even though the injustice was so obvious," says Mr Pierre Nothomb, of Deminor. His consulting firm specialises in helping minority shareholders, and launched the Wagon-Lit minority shareholders' offensive. The interdependence of large investors in Belgium makes it very difficult for the small outsider. So far, no shareholders have ever taken investment funds to court in Belgium for failing to act in their interests.

The proposed privatisation of Belgacom, the state-owned telephone company, next year, could give the Belgian stock market a much-needed boost, especially if it is carried out by a public share issue (as with British Telecom.)

Meanwhile, in a bid to encourage investment in enterprises and help Belgian firms stay out of debt, taxes on earnings from shares were cut to the same level as taxes on interest earnings from bonds – 13.4 per cent, from 25 per cent, as part of the government's economic reforms.

The move has received a mixed reaction from the experts. Belgium already has two classes of shares, one with tax privileges worth about BFr30bn, targeted at domestic shareholders – who are, say critics, are an important source of illiquidity in the market.

"They've scored an own goal on that one," says Mr Philip Richards, who analyses Belgian stocks for Smith New Court in London.

Although the new tax rates on new issues may initially appear attractive to small investors (overseas institutional investors will not benefit from the tax reduction, because they already pay a lower amount), they will be "inherently illiquid, and in the long run their value would be pushed down," says Mr Richards.



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